

# OBSTACLES IN ENTREPRENEURSHIP AMONG GRADUATES: A COMPARATIVE STUDY BETWEEN UiTM PAHANG AND UiTM MELAKA

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## ABSTRACT

Entrepreneurship is one of the professions that promise a very bright future to graduates if they successfully participate in any kinds of potential sector. Currently, Ministry of Higher Education encourages entrepreneurship development for graduates from all universities in Malaysia. Due to that reason, universities urge to handle as much as entrepreneurship activities in order to let graduates experience the real situation as to become a real entrepreneur in the future. With all entrepreneurship development program conducted, it is very minimum study to focus on barriers toward entrepreneurship from perspectives of graduates. In this study, the main objective is to highlight the obstacles in entrepreneurship among graduates. The result indicate that graduates' perspectives of lack of savings, lack of assets for collateral and difficulty in obtaining bank finance are the main three obstacles in entrepreneurship. The difference obstacle factor in entrepreneurship between genders shows different factors toward selected obstacles in entrepreneurship. Overall, both male and female perceived to be agreed on certain factors that is mainly financial obstacles.

Keywords: Entrepreneurship, obstacles, graduates

## INTRODUCTION

Entrepreneurship can be defined as the process of conceptualising, organising, launching and through innovation, nurturing a business opportunity into a potentially high growth venture in a complex and unstable environment (Rwigema and Venter 2004). In recent years, there has been a growing interest in entrepreneurship education because of its relationship with regional economic development through new ventures and job creation (Kiukumar & Somayeh, 2011). For instance, national organization of entrepreneurship and developing small businesses had been established in India for developing and expanding entrepreneurship and the Ministry of Entrepreneurship had been established in Malaysia (Zali & Razavi, 2008).

Other than that, Ministry of Higher education has played an important role in cultivating the entrepreneur interest among university students and graduates. The Critical Leadership Agenda Project been established under the Strategic Plan Higher Education (PSPTN) to help institutions of higher learning (IPTA) to strengthen national and institutional aspects. Referring to Legatum Prosperity Index, Malaysia is ranked in 28th out of 104 economies ([www.prosperity.com](http://www.prosperity.com)) due to relatively high entrepreneurialism reflected by entrepreneurship and innovation. Malaysia's performance is boosted by a flourishing high-tech industry. Moreover, high levels of royalty receipts indicate that our ability to capitalize on innovations, as according to the Legatum study.

Similarly, the World Bank ranks this country 23rd out of 183 economies in the ease of doing business ([www.entrepreneurship.org](http://www.entrepreneurship.org)).

But historically, the main constraint of entrepreneurs is to seek for funding at their early stage of business. New ventures commonly rely on bootstrapping, angel investing, family or friends, venture capitalists and banks to provide the necessary capital for their businesses (Nina, 2011). The reason of new ventures struggle to raise capital because they are inexperienced, unknown and untested (Mantell, 2009; Barringer and Ireland, 2009). This is true for the young entrepreneur with little business knowledge, experience and collateral (Mantell, 2009). A study in Iran show government laws and regulations acted as a barrier against entrepreneurship growth and consequently, the failure of economic growth and development in Iran (Lamei, 2007).

Pretorius and Shaw (2004) and Atieno (2009) reported that lack of finance is one of the major constraints to the formation of new enterprises. Entrepreneurs need to access to both internal and external finance to survive and grow. Maas and Herrington (2006) indicate that lack of financial support is the second major contributor to low total Entrepreneurship Activity (TEA) rate in South Africa. Pretorius and Shaw (2004) observe that a large percentage of the failure of entrepreneurial ventures in South Africa is attributed to inadequate capital structure or resource poverty. Nina; 2011 indicates that the majority of Serbian entrepreneurs rely on equity funding to finance their ventures, form businesses to pursue personal freedom, bootstrap their nascent firms and provide services or represent/sell someone else's products rather than create their own. Her results indicate that the greatest challenges to Serbian business owners are with administrative issues associated with their government, political instability and economic uncertainty.

One of the main reasons that block the willingness to build an enterprise is risk. Fear of failure and embarrassment prevent people with ideas not to explore them and venture into a competitive stage. Many young entrepreneurs become risk averse because of their social environment (Kazela, 2009). Mollentz (2002) affirm that market issues and demand for products are the most important factors that positively influence new enterprises to grow. Thus, bad market conditions and no market opportunities can be a constraint to youth entrepreneurial intention.

### **Kursus Asas Keusahawanan (KAKS)**

Kursus Asas Keusahawanan (KAKS) program conducted to exposed the graduates with business environment and motivate them to become an entrepreneur. This is an annual program organized by Malaysian Academy of SME & Entrepreneurship Development (MASMED) Universiti Teknologi Mara for Diploma and Degree final semester students. Many activities and information sharing sessions were conducted during this program. The panels invited for the talks were consisted the representatives from PUNB, TEKUN, Agrobank, SSM, INSKEN and successful entrepreneur. The programs were able to inspire student's intention and motivation

because they have been exposed with the business simulation and the business practices. According to Hytti, Ulla & O'Gormon (2004), the teaching approach to create more entrepreneurs is by exposing them with real business practice under the controlled environment such as business simulation or role model.

## METHODOLOGY

The data was collected through a survey conducted at one program "Kursus Asas Keusahawanan (KAKS)" organized by Malaysian Academy of SME & Entrepreneurship Development (MASMED) UiTM Pahang and UiTM Melaka. This study involves 58 selected graduates from both campuses which were also the participants of KAKS. The selection process is based on the high score on entrepreneurial test conducted by UiTM counseling department. Only shortlist graduates able to participate in this program. The questionnaires consisted of two sections; graduates demographic and graduates' obstacles towards entrepreneurship. The obstacles instruments is derived from Fatoki et.al (2010) using likert scale from 1 to 4 (1 is for "strongly disagree" until 4 "strongly agree"). In this study, the researchers used two types of analysis which are frequencies and mean in order to observe the differences of obstacle among two UiTM Campuses. The data for this study were analyzed using SPSS version 20.

## FINDING AND DISCUSSION

Findings is divided into three sections that consists of graduates demographic, graduates perceptions toward obstacles in entrepreneurship and comparison of obstacles in entrepreneurship between genders.

**TABLE1: PERCENTAGE OF GRADUATES DEMOGRAPHIC**

Demographic	UiTM Pahang Graduates		UiTM Melaka Graduates	
<b>Sex</b>	Male	29.4%(10)	Male	62.5% (15)
	Female	70.6%(24)	Female	37.5% (9)
<b>Age</b>	21 – 23 years old	100% (34)	18 – 20 years old	37.5% (9)
			21 – 23 years old	58.3% (14)
			27 years old and above	4.2%(1)
<b>Program</b>	Diploma	100% (34)	Diploma	83.3% (20)
			Degree	16.7% (4)
<b>Family Involvement in Business</b>	Yes	67.6%(23)	Yes	45.8% (11)
	No	32.4%(11)	No	54.2% (13)
<b>Graduates experience in business</b>	Yes	73.5%(25)	Yes	58.3% (14)
	No	26.5% (9)	No	41.7% (10)

Table 1 show the total number of graduates between these two campuses is 58 graduates. Total number of respondents from UiTM Pahang is 34 while UiTM Melaka is 24. Most of the respondents from UiTM Pahang are female while UiTM Melaka respondents are male. As referring to the table, all UiTM Pahang graduates are in the range of 21 to 23 years old. While UiTM Melaka graduates are in the range of 18 to 23 years old. Majority of the respondents are diploma level students.

The table also stated that 67.6% UiTM Pahang and 45.8% UiTM Melaka graduates do have family involvement in business. The family involvement could justify the graduates' experienced in business for 73.5% UiTM Pahang graduates. While 58.3% UiTM Melaka graduates have experienced in business even with less family involvement in business. This is due to previous hands on experience and business activities conducted in these two campuses.

**TABLE 2: MEAN COMPARISON FOR GRADUATES PERCEPTION TOWARDS OBSTACLES IN ENTREPRENEURSHIP BETWEEN TWO CAMPUSES.**

No.	Obstacle factors	UiTM Pahang Graduates		UiTM Melaka Graduates	
		Mean	S.D	Mean	S.D
1	Lack of savings	3.44	.561	3.46	.658
2	Difficulty in obtaining bank finance	3.18	.521	3.29	.624
3	Lack of assets for collateral	3.29	.462	3.08	.776
4	Lack of business skills (financial, marketing)	2.82	.673	2.79	.779
5	Lack of information about how to start a business	2.91	.668	2.88	.741
6	Lack of business experience	2.94	.694	3.08	.776
7	Lack of information about any government agency that can assist in funding a business	2.88	.640	3.00	.780
8	Do not know how to write a business plan	2.32	.727	2.50	.722
9	Fear of crime	2.74	.751	2.38	.924
10	Need to pay school loans	2.85	.784	2.50	.834
11	Cost of business registration	2.71	.938	2.42	.584
12	Did not do any business management or entrepreneurial module	2.44	.927	2.29	.690
13	Cannot see any opportunity in the market place	2.18	.869	2.38	.576
14	The fear of starting a business because of a risk associated with a business	2.53	.788	2.71	.806
15	The uncertainty about the future if I start my own business	2.62	.697	2.92	.776
16	Fear of failure	2.50	.707	2.67	.868
17	Weak economic environment	2.82	.576	2.67	.761
18	Lack of support from family or friend	2.38	.922	2.37	.576
19	Nobody in my family has ever gone into business	2.24	.955	2.58	.830

<b>20</b>	Convincing others that it is a good idea	2.94	.694	2.79	.658
<b>21</b>	No one to turn to for help	2.50	.826	2.54	.779
<b>22</b>	Finding right partners	2.97	.797	2.88	.900

Both campuses make the same perception of obstacles factors which are lack of saving, lack of assets for collateral and difficulty in obtaining bank finance. The highest mean score for both campuses is lack of saving for Pahang and Melaka with 3.44 and 3.46 respectively.

The lowest obstacles factor for UiTM Pahang graduates is cannot see any opportunity in the market place with mean score of 2.18. So, it is considered that they have seen the opportunity in entrepreneurship sector. UiTM Melaka graduates choose the factor of did not do any business management or entrepreneurial module with mean score of 2.29 as the lowest obstacles factor. It indicates that they have undertaken entrepreneurial module and have basic knowledge in entrepreneurship.

**TABLE 3: MEAN COMPARISON TOWARD OBSTACLES IN ENTREPRENEURSHIP BETWEEN GENDERS AMONG TWO CAMPUSES.**

No	Obstacle factors	UiTM Pahang Graduates				UiTM Melaka Graduates			
		Mean		S.D		Mean		S.D	
		M	F	M	F	M	F	M	F
<b>1</b>	Lack of savings	3.20	3.54	.632	.509	3.47	3.44	.743	.527
<b>2</b>	Difficulty in obtaining bank finance	2.90	3.29	.568	.464	3.33	3.22	.724	.441
<b>3</b>	Lack of assets for collateral	3.10	3.38	.316	.495	3.20	2.89	.676	.928
<b>4</b>	Lack of business skills (financial, marketing)	2.60	2.92	.843	.584	2.67	3.00	.724	.866
<b>5</b>	Lack of information about how to start a business	2.60	3.04	.699	.624	2.80	3.00	.775	.707
<b>6</b>	Lack of business experience	2.90	2.96	.568	.751	3.07	3.11	.799	.782
<b>7</b>	Lack of information about any government agency that can assist in funding a business	2.70	2.96	.483	.690	3.13	2.78	.834	.667

<b>8</b>	Do not know how to write a business plan	2.70	2.17	.823	.637	2.47	2.56	.640	.882
<b>9</b>	Fear of crime	2.70	2.75	.675	.794	2.27	2.56	1.033	.726
<b>10</b>	Need to pay school loans	2.60	2.96	.699	.806	2.20	3.00	.775	.707
<b>11</b>	Cost of business registration	2.70	2.71	.949	.955	2.27	2.67	.594	.500
<b>12</b>	Did not do any business management or entrepreneurial module	2.60	2.38	.843	.970	2.33	2.22	.617	.667
<b>13</b>	Cannot see any opportunity in the market place	2.60	2.00	.966	.780	2.47	2.22	.516	.667
<b>14</b>	The fear of starting a business because of a risk associated with a business	2.50	2.54	.972	.721	2.73	2.67	.704	1.000
<b>15</b>	The uncertainty about the future if I start my own business	2.50	2.67	.527	.761	3.00	2.78	.655	.972
<b>16</b>	Fear of failure	2.30	2.58	.675	.717	2.73	2.56	.884	.882
<b>17</b>	Weak economic environment	2.80	2.83	.422	.637	2.67	2.67	.724	.866
<b>18</b>	Lack of support from family or friend	2.60	2.29	.966	.908	2.47	2.22	.516	.667
<b>19</b>	Nobody in my family has ever gone into business	2.40	2.17	.843	1.007	2.73	2.33	.799	.866
<b>20</b>	Convincing others that it is a good idea	2.50	3.13	.707	.612	2.87	2.67	.516	.866
<b>21</b>	No one to turn to for help	2.20	2.62	.789	.824	2.60	2.44	.737	.882
<b>22</b>	Finding right partners	2.50	3.17	.850	.702	2.93	2.78	.884	.972

Table 3 show the finding for mean comparison toward obstacles in entrepreneurship between genders among two campuses. Lack of saving had been chosen as the main perceived obstacle for UiTM Pahang female graduates with 3.54 mean score while UiTM Melaka male graduates chose the same factor with 3.47 mean score.

Nobody in my family has ever gone into business showed the lowest mean score for UiTM Pahang female graduates with 2.17. UiTM Melaka and UiTM Pahang male graduates had the same lowest mean score of 2.20 which are need to pay school loan and no one to turn to for help respectively.

**TABLE 4: FINDING ON OBSTACLES TOWARD ENTREPRENEURSHIP BETWEEN GENDER AMONG UiTM PAHANG GRADUATES AND UiTM MELAKA GRADUATES**

Factor	UiTM Pahang Graduates		UiTM Melaka Graduates	
	Mean		Mean	
	Male	Female	Male	Female
<b>Obstacles</b>	2.65	2.80	2.80	2.70

Table 4 showed comparison of perception between genders among UiTM Melaka and UiTM Pahang graduates regarding obstacles toward entrepreneurs. As stated in the above, mean for UiTM Pahang male graduates is 2.65 while 2.80 for female graduates. While for UiTM Melaka male graduates showed mean at 2.80 and female graduates with 2.70 mean score. It means that the graduates felt less barriers regard to obstacles factors thus indicate both campuses do have the high motivation toward entrepreneurship because the mean is below than 3.

## CONCLUSION

It's agreed that the main constraints of graduates to open up their own business is the graduates' perception of lack of savings, lack of assets for collateral and difficulty in obtaining bank finance. The result was supported by the previous research conducted by Robertson, Collins, Medeira & Slater (2003). They found that the barrier to start up a business among students is financial incompetency and no steady income to start up the business. It is recommended that students should fully understand the loan application process and the standard of paper presentation before applying for a business loan. Educational institutions should introduce and educating entrepreneurial skill such as strengthening the entrepreneur preparation of a business plan. Other than that, the future entrepreneur needs to do their own research about the type of business that they want to involve in. Experience from the industry is vital to make sure that their knowledge is adequate to join the business. Thus it will help them in enhancing their awareness in the business world.

The limitation of this study is because difference in number of respondent between male and female graduates and different diploma and degree programs studied. It is suggested that for further researcher to conduct this research to a larger number of respondent at the same level of program.

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