



UNIVERSITI PUTRA MALAYSIA

***EFFECTIVENESS OF KURSUS ASAS KEUSAHAWANAN SISWA ON
UNIVERSITY GRADUATE INTENTION IN BECOMING AGRI-
ENTREPRENEURS***

MUHAMMAD MU'AZ BIN MAHMUD

FP 2013 60



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By

MUHAMMAD MU'AZ BIN MAHMUD

**Thesis Submitted to the School of Graduate Studies, Universiti Putra Malaysia,
in Fulfilment of the Requirements for the Degree of Master of Science**

July 2013

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Dedicated to

My mother (Zuriah Abdullah), father (Prof. Dr. Mahmud Tengku Muda Mohamed), wife (Nurhazwani Sukram) and daughter (Humayraa Balqies Muhammad Mu'az)

All because of you

Abstract of thesis presented to the Senate of Universiti Putra Malaysia in fulfilment
of the requirement for the degree of Master of Science

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July 2013

Chairman : Prof. Zainal Abidin Mohamed, PhD

Faculty : Agriculture

The effort of promoting agri-entrepreneurship in Malaysia has been pertinacious. This is parallel with the vision of the nation which is going through transformation towards becoming a developed country. Students are exposed as early as primary school to entrepreneurial subjects and related learning. A huge amount of investment is made by the government to develop this sector. Many courses and trainings were conducted to achieve the target of developing more entrepreneurs especially among graduates, thus making individuals more aware of this issue. Some universities also require students to take up entrepreneurial subjects regardless of their academic programmes. However, the effectiveness of these courses and trainings are debateable. This study intends to uncover the underlying factors that could influence the intentions of KAKS graduates to take up agriculture as an agribusiness activity as a career. The Theory of Planned Behaviour (TPB) was adopted as the theoretical framework for this study.

In total, 1005 respondents who had participated in KAKS were interviewed through completing a structural questionnaire which gathered information on their social attitude towards the effectiveness of KAKS course and their intention of becoming an agri-entrepreneur. Chi-square analysis was employed to determine the relationship between socio-economic and demographic factors towards participants being motivated by KAKS course and the development of entrepreneurial skills and traits among KAKS participants. For the first chi-square analysis, the results indicate that most of the socio-economic and demographic factors such as state of origin of respondents, entrepreneurial status of KAKS participants, family members involved in entrepreneurship and having agricultural family background have significant differences with the degree of motivation produced with the KAKS course. For the second chi-square analysis, the results indicate that some of the variables of demographic factors such as availability of family members in entrepreneurship, having agricultural family background and educational background have significant differences with the development of agri-entrepreneurial skills among KAKS participants. Exploratory Factor Analysis was used to uncover the underlying factors that could influence the intentions of graduates (KAKS course participants) to take up agriculture as an agribusiness activity in their career. There are 5 factors identified as latent factors influencing KAKS participant regarding the course and their intention to become an agri-entrepreneurs. The 5 factors comprises of motivation, cognizance of KAKS course, society's influence, personal goal setting and risk taking. Binary logistic model procedure was applied to determine the extent to which selected socio-economic/demographic characteristics and attitudes and also factors that influence the intentions of KAKS participants in becoming agri-entrepreneurs affected their influence on KAKS program itself. The results indicated that, the

socio-economic variables such as availability of family members in entrepreneurship, state of origin of participants and educational background play an important role when explaining the influence of KAKS course on participants. Besides that, factors that influence the intentions of KAKS participants in becoming agri-entrepreneurs such as motivation, cognizance of KAKS course and society's influence also play an important role towards the influence the participants have on KAKS.

KAKS has been proven to be successful in terms of developing interest among its participants to become an agri-entrepreneur. Though, motivation is a very important factor towards influencing KAKS participants to become agri-entrepreneurs. These courses are very helpful especially for graduates who want to become agri-entrepreneurs but do not have the basic of entrepreneurial knowledge. The role of family members is also very influential towards the decision of graduates to become agri-entrepreneurs. Though participants of KAKS from technical backgrounds and graduates from East Coast and Northern Region states are more prone in becoming agri-entrepreneurs, participants from non-technical backgrounds and other states besides East Coast and Northern Region states are also positively influenced by KAKS course. This indicates that KAKS is able to influence all graduates from any background to become agri-entrepreneurs.

Abstrak tesis yang dikemukakan kepada Senat Universiti Putra Malaysia sebagai memenuhi keperluan untuk ijazah Master Sains

**KEBERKESANAN KURSUS ASAS KEUSAHAWANAN SISWA TERHADAP
NIAT GRADUAN UNIVERSITI UNTUK MENJADI USAHAWANTANI**

Oleh

MUHAMMAD MU'AZ BIN MAHMUD

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Usaha untuk menggalakan keusahawanan dalam bidang pertanian di Malaysia telah dilakukan secara serius. Ini adalah selari dengan visi negara melalui transformasi ke arah mencapai sebuah negara maju. Pelajar telah didedahkan dengan mata pelajaran berkaitan keusahawanan seawal sekolah rendah. Kerajaan telah memperuntukkan pelaburan yang besar bagi membangunkan sektor ini. Pelbagai kursus dan latihan telah dijalankan bagi mencapai sasaran untuk melahirkan lebih ramai usahawan terutama dikalangan graduan, lalu menjadikan individu lebih peka terhadap isu ini. Terdapat universiti yang mewajibkan pelajar untuk mengambil mata pelajaran keusahawanan tanpa mengira latar belakang bidang kursus. Walaubagaimanapun, keberkesanan bagi kursus dan latihan dalam bidang keusahawanan telah dibahaskan. Disertasi ini bertujuan menerokai faktor-faktor yang boleh mempengaruhi niat graduan KAKS untuk menjadikan pertanian sebagai aktiviti perniagaantani sebagai kerjaya. *The Theory of Planned Behavior* (TPB) telah diadaptasi sebagai kerangka teori bagi kajian ini.

Secara keseluruhan, 1005 responden yang telah menyertai KAKS telah ditemubual melalui pelengkapan borang soal selidik berstruktur bagi mengumpul maklumat berkaitan sikap sosial terhadap keberkesanan kursus KAKS dan niat untuk menjadi usahawantani. Analisa *Chi-square* telah digunakan bagi menentukan hubungan diantara faktor-faktor sosio-ekonomi dan demografi terhadap motivasi kepada KAKS; dan menentukan hubungan di antara faktor-faktor sosio-ekonomi dan demografi terhadap pembangunan kemahiran dan ciri-ciri keusahawanan dikalangan peserta KAKS. Bagi analisa *Chi-square* yang pertama, dapatan menunjukkan bahawa kebanyakan faktor-faktor sosio-ekonomi dan demografi seperti negeri asal bagi peserta, status keusahawanan, penglibatan ahli keluarga dalam keusahawanan dan peserta yang punyai keluarga yang terlibat dalam bidang pertanian mempunyai perbezaan yang ketara terhadap tahap motivasi terhasil melalui kursus KAKS. Bagi analisa *Chi-square* yang kedua, dapatan menunjukkan sebahagian faktor-faktor demografi seperti penglibatan ahli keluarga dalam keusahawanan, peserta yang punyai keluarga yang terlibat dalam bidang pertanian dan latar belakang pendidikan mempunyai perbezaan yang ketara terhadap pembangunan kemahiran keusahawanan pertanian dikalangan peserta KAKS. *Exploratory Factor Analysis* digunakan untuk mendedahkan faktor-faktor pendasar yang boleh mempengaruhi niat graduan (peserta kursus KAKS) untuk terlibat dalam bidang pertanian sebagai aktiviti perniagaantani dalam kerjaya mereka. Lima faktor telah dikenalpasti sebagai faktor-faktor terpendam yang mempengaruhi peserta KAKS berkaitan kursus tersebut dan niat mereka untuk menjadi usahawantani. Faktor-faktor tersebut terdiri daripada motivasi, kesedaran terhadap kursus KAKS, pengaruh masyarakat, penetapan matlamat diri dan pengambilan risiko. *Binary Logistic Model* diaplikasi bagi

menentukan setakat mana ciri-ciri dan sikap sosio-ekonomi/demografi yang terpilih dan juga faktor-faktor yang mempengaruhi niat peserta KAKS untuk menjadi usahawantani memberi kesan terhadap KAKS sendiri. Keputusan menunjukkan bahawa pembolehubah sosio-ekonomi seperti penglibatan ahli keluarga dalam keusahawanan, negeri asal peserta dan latar belakang pendidikan memainkan peranan yang penting untuk menjelaskan pengaruh KAKS terhadap pesertanya. Selain itu, faktor-faktor yang mempengaruhi niat peserta KAKS untuk menjadi usahawantani seperti motivasi, kesedaran terhadap KAKS dan pengaruh masyarakat juga memainkan peranan penting terhadap pengaruh peserta terhadap KAKS.

KAKS telah terbukti berjaya menarik minat peserta untuk menjadi usahawan. Walaubagaimanapun, motivasi merupakan faktor yang sangat penting bagi mempengaruhi peserta KAKS untuk menjadi usahawantani. Kursus-kursus ini amat membantu terutama bagi graduan yang mahu menjadi usahawantani tetapi tidak mempunyai pengetahuan asas tentang keusahawanan. Peranan ahli keluarga juga amat mempengaruhi keputusan graduan untuk menjadi usahawantani. Walaupun peserta KAKS dari latar belakang teknikal dan graduan dari negeri-negeri pantai timur dan utara lebih cenderung untuk menjadi usahawantani, peserta dari latar belakang bukan teknikal dan dari negeri-negeri selain Pantai Timur dan Utara juga dipengaruhi oleh KAKS secara positif. Ini menunjukkan bahawa KAKS boleh mempengaruhi semua graduan dari semua latar belakang untuk menjadi usahawantani.

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LIST OF ABBREVIATIONS

| | |
|------------------|---|
| AIM | <i>Amanah Ikhtiar</i> Malaysia |
| BCIC | <i>Bumiputera</i> Commercial and Industrial Community |
| DPUP | Entrepreneur Loans Fund Agriculture |
| EE | Entrepreneurship Education |
| FAMA | Federal Agricultural Marketing Authority |
| FELCRA | Federal Land Consolidation and Rehabilitation Authority |
| FELDA | Federal Land Development Authority |
| GDP | Gross Domestic Product |
| GLC | Government Linked Companies |
| HEI | Higher Educational Institutes |
| INSKEN | National Institute of Entrepreneurship |
| KAKS | <i>Kursus Asas Keusahawanan Siswa</i> |
| KEB | <i>Bumiputera</i> Economy Congress |
| KPU _n | Ministry of Entrepreneur Development |
| MeCD | Ministry of Entrepreneur and Co-operative Development |
| MPOB | Malaysian Palm Oil Board |
| NAP _a | National Agriculture Policy |
| NAP _b | National Agri-food Policy |
| NEP | New Economic Policy |
| OPPI | Outline Perspective Plan |
| RISDA | Rubber Industry Smallholders Development Authority |
| SEE | Shapero's model of Entrepreneurial Event |
| SME | Small and Medium Enterprises |

| | |
|-------|--|
| TEKUN | <i>Tabung Ekonomi Kumpulan Usaha Niaga</i> |
| TORA | Theory of Reasoned Action |
| TPB | Theory of Planned Behavior |
| TUS | <i>Tabung Usahawan Siswazah / Graduate Entrepreneur Fund</i> |
| WBI | World Bank Institute |



CHAPTER 1

INTRODUCTION

The purpose of this chapter is to uncover the background of this study which consists of agricultural sector growth in Malaysia, entrepreneurship development in Malaysia, the entrepreneurship education and the agricultural sector as a business opportunity. Besides that, this chapter also explains the problem statement of this study, the out coming objectives, significance of this study and the whole organization of the thesis.

1.1 Growth of Agriculture Sector in Malaysia

The history of Malaysia agricultural sector can be divided into three periods which are pre-independence (years 1800 to 1957), post-independence (years 1957-1970) and post National Agriculture Policy (NAPa) (years 1984-2010). The pre-independence period started with the trade of spices during the era of British colonization as early as 1800 and lasted till the year 1957. During the early 20th century, demand for tin and rubber from European countries and the United States was high. As a result, the British Colonists encouraged capitalists to develop rubber plantations such as Guthrie and Dunlop Plantation. Rubber became an important contributor to Malaya's export income and significantly it made Malaya the largest producer of rubber. During this period, agriculture became the backbone of Malaya's economy. The expansion of the rubber sector in Malaysia attracted a large amount of direct foreign investments in the form of foreign ownership of plantations. The

foreign investors also introduced a sophisticated banking system to facilitate financial and capital transactions. As part of developments in this field, new roads and rail tracks were built to connect major towns throughout the country. Though the development of agriculture seemed to be vast, the British colonial agriculture policy split the sector in two. The rich profitable rubber plantations were owned by the British capitalists while the subsistence paddy productions were left to Malay farmers.

The post-independence period from year 1957 till 1970 saw a newly formed government which focused on the agricultural sector as its contribution towards the economy was strong. Thus a huge amount of government investment in the agricultural sector was seen through the First Malaya Plan (1956-1960), Second Malaya Plan (1961-1965) and The First Malaysia Plan (1966-1970). During these periods, besides rubber plantation, there was the emergence of the oil palm plantations. By the end of the First Malaysia Plan, there were 123,000 ha of oil palm and 1,315,000 ha of rubber under cultivation. Even though the benefits and developments of both plantations in the agricultural sector were clearly seen, there were still some critics that the government had failed to solve the problem of poverty among the Malays. This situation forced the government to construct a new policy which focused more on improving the standard of living for Malays to overcome the problem of poverty.

The New Economic Policy (NEP) from year 1970 till 1984 focused on the agricultural sector while trying to solve the problems related to poverty among Malays. The NEP encompassed The Second Malaysia Plan (1971-1975), The Third

Malaysia Plan (1976-1980) and The Fourth Malaysian Plan (1981-1985). The expenditure for agriculture and rural development allotted to the Second Malaysia Plan was RM1.8 billion and by the Fourth Malaysian Plan it increased to RM8.3 billion. New agricultural government agencies such as the Federal Land Development Authority (FELDA) which was formed in 1956 during the First Malaysia Plan, Federal Land Consolidation and Rehabilitation Authority (FELCRA) which was founded in 1966 during The First Malaysian Plan, National Paddy Institution and Rubber Industry Smallholders Development Authority (RISDA) which was founded in 1973 during The Second Malaysian Plan worked hard to assure the enhancement of the agricultural sector. As a result, there was a notable reduction in rural poverty from 58.7% (706,000 households) in 1970 to 24.7% (402,000 households) in 1984. Agricultural output expanded by an average of 5.8% per annum with the gross value of agricultural exports rising to RM9 billion. This contributed to per capita income increasing it by 2.8% on average per annum. At the end of this period Malaysia was the top producer of Natural Rubber and Palm Oil with a contribution of 38.8% and 58.8% to the world supplies respectively (Malaysia: Economic Planning Unit, 2004).

In 1983 the government formulated and introduced The National Agricultural Policy (NAPa) (1984-2010) which was hoped to serve the purpose of a long-term policy to effectively develop the agricultural sector. Besides that, NAPa called for agriculture-industry linkage through expanded development of agro-based industries mainly in processing, storage and handling of agricultural commodities to increase their value-added before exports (Zulkifly, 1988). The First National Agricultural Policy was implemented in the year's 1984 to 1991 to settle the problem of poverty and

inefficient performance of the agricultural sector. The Second National Agricultural Policy focused on productivity, efficiency and competitive issues in context of sustainable development and linkage with other sectors of the economy. The Third National Agricultural Policy introduced product-based approach that satisfied the needs and wants of the general consumer population and the niche market consumers (Malaysia: Ministry of Agriculture, 1998). Table 1.1 shows that for the year 2005 the agricultural sector contributed 8.3% to Malaysia's Gross Domestic Product (GDP), while the manufacturing sector contributed 27.5% to the GDP. The fast expansion of the manufacturing sector has created a competitive demand on labor, land and capital inputs vis a vis the agricultural sector. Although the contribution of the manufacturing sector has overridden that of the agricultural sector, the latter still remains an important component of the Malaysian economy despite such challenges as land fragmentation, increasing cost of input over time, lack of interest among younger generation and labor shortage.

The Third National Agriculture Policy which ended in the year 2010 had prepared the ground for the formulation of National Agri-food Policy (2011-2020) (NAPb). The focus of the new agricultural policy was to spur and sustain the country's agro food sector and increase the income of agriculture entrepreneurs. For example, a total of RM55 million from the Agro Bank was allocated to facilitate loans of up to RM300,000 without a guarantor to livestock breeders.

Table 1.1: GDP by kind of economic activity at current prices (2005-2011)

| Kind of Economic Activity | GDP at Purchasers' Prices | Agriculture | Mining and quarrying | Manufacturing | Construction | Services |
|---------------------------|---------------------------|-------------|----------------------|---------------|--------------|-----------|
| 2005 | RM million | RM44,912 | RM72,111 | RM149,754 | RM16,107 | RM254,322 |
| | Percentage share of GDP | 8.3% | 13.3% | 27.5% | 3.0% | 46.8% |
| 2006 | RM million | RM51,383 | RM81,759 | RM164,510 | RM16,451 | RM277,022 |
| | Percentage share of GDP | 8.6% | 13.7% | 27.6% | 2.8% | 46.4% |
| 2007 | RM million | RM66,446 | RM88,332 | RM173,804 | RM18,739 | RM312,050 |
| | Percentage share of GDP | 10.0% | 13.3% | 26.1% | 2.8% | 46.9% |
| 2008 | RM million | RM76,753 | RM120,170 | RM189,105 | RM21,156 | RM355,233 |
| | Percentage share of GDP | 10.0% | 15.6% | 24.6% | 2.7% | 46.1% |
| 2009 | RM million | RM65,719 | RM81,342 | RM169,661 | RM23,187 | RM365,984 |
| | Percentage share of GDP | 9.2% | 11.4% | 23.8% | 3.3% | 51.3% |
| 2010 | RM million | RM82,612 | RM86,545 | RM195,280 | RM25,893 | RM397,035 |
| | Percentage share of GDP | 10.4% | 10.9% | 24.6% | 3.3% | 49.9% |
| 2011 ^P | RM million | RM104,581 | RM91,786 | RM214,626 | RM28,306 | RM433,070 |
| | Percentage share of GDP | 11.9% | 10.4% | 24.4% | 3.2% | 49.2% |

P= projection

(Source: Department of Statistics, 2011/2012)

1.2 Entrepreneurship Development in Malaysia

Entrepreneurship plays an important role in all countries worldwide. Within a society it creates job opportunities which indirectly reduce the unemployment rate. Besides that, entrepreneurship fulfills the specific needs of the market and consumers. On the economic side, it helps to improve the economy of a country which in turn generates national wealth. A country with less entrepreneurial activity experiences less economic stability. Malaysia is among the developing countries that are starting to focus more on the entrepreneurship sector due to its significant contribution towards Malaysian economy. Ab. Aziz (2003) has shown that a community with many entrepreneurs is the best community. This is because entrepreneurs are individuals that are most creative, innovative and dynamic. They prepare for the worst through creativity and determination to success. Zenkin (1981) explained that without the contribution of entrepreneurs, socio-economic activities which lead to developments in a country would not take place.

Since agricultural resources are an opportunity in Malaysia, the government strongly encourages graduates in this field to become agri-entrepreneurs. This way they would not only contribute to the economy of the country but they would also bring in new ideas and technology to enhance the agricultural sector.

According to Abdullah and Amran (2008), entrepreneurship development in Malaysia started from the basic trading activities that were in practice prior to independence in 1957. Trading is considered among the easiest type of business since it does not require manufacturing process. The process involved in trading is

buying certain goods and selling it to another party. In 1954, there were 79,673 businesses registered in Federation of Malaya. Upon achieving independence in 1957, the number of business entities gradually increased. Abdullah and Amran (2008) divided the Malaysian entrepreneurial development into four phases. The first phase is from the independence up to the introduction of New Economic Policy (NEP) that is from 1957 to 1970; the second phase is from the introduction of the Second Malaysia Plan up to the end of the Third Malaysia Plan (1971-1980); the third phase is from the establishment of the Fourth Malaysia Plan up to the end of the Fifth Malaysia Plan (1981-1990); and the fourth phase is the initiation of New Development Policy (NDP), and the implementation of Sixth, Seventh, Eighth and Ninth Malaysia Plans (1991-2010). The first phase was a new era for the field of entrepreneurship. The policy encouraged more people to get involved in entrepreneurial activities and undertake industrial projects. The second stage was the beginning of the implementation of the New Economic Policy which covered the Second Malaysia Plan with a focus on industrial activities and the Third Malaysia Plan with a focus on new strategies to spur the economic growth of the *Bumiputera* community. The Third phase was during Tun Mahatir's early era as the Prime Minister of Malaysia. During this phase, the entrepreneurial focus was towards export earnings mainly from the agricultural sector, implementation of policies and strategies such as 'Malaysia Incorporated' policy, privatization policy and the 'Look East' policy. The last phase focused more on the heavy industries of high technology and on the quality of small and medium scale *Bumiputera* enterprises rather than on increasing the number of *Bumiputera* entrepreneurs.

The NEP's Outline Perspective Plan for 1971-1990 (OPPI) envisions the creation of *Bumiputera* Commercial and Industrial Community (BCIC). The development of the (BCIC) will continue to be a key approach towards restructuring society and ensuring greater *Bumiputera* participation in the economy. Among the core reasons for the development of BCIC was encouraging more Malaysian Natives (*Bumiputera*) to start small or medium scale businesses. A second phase of BCIC program, launched in 2001 aimed at developing self-reliant and sustainable *Bumiputera* entrepreneurs and strong *Bumiputera* small and medium enterprises (SMEs). A new model of development was adapted to not only look at the quantity which *Bumiputera* entrepreneurs produced but more importantly to focus on their overall quality in terms of productivity and competitiveness. In order to better implement BCIC programs, the capability of trust agencies, Government Linked Companies (GLCs) and cooperatives was further enhanced. The entry of *Bumiputera* entrepreneurs into new growth areas was also implemented in a more systematic and focused manner guided by the Master Plan for the Development of Rural Entrepreneurs. In addition, the Business and Advanced Technology Centre, the Development Bank of Malaysia and the National Productivity Corporation offered courses to support and better inform those involved in these plans.

According to the Malaysian Economic Report 2010-2011 (Table 1.2), in 2011, the trade and industry sub-sector was allocated a total fund of RM9.6 billion in year 2011. Part of the allocation (RM1.5 billion) was to promote innovation and entrepreneurship in the industry. The trade and industry sub-sector also provide funds for major projects such as upgrading infrastructure facilities in industrial areas, strategic funding, enhancing entrepreneur development as well as promoting

development programs for automotive sector. Development of local entrepreneurs focuses on the SMEs since they represent 99.2% of all business establishments. Besides access to finance, entrepreneurs receive technical advisory on product development, marketing, skills and technology enhancement. Almost RM10.4 billion was allocated for the education and training sub-sector. The policy of the government emphasizes the optimization of investment in the educational sector to increase literacy since it is a criterion for becoming a developed country. Entrepreneurship has been part of the educational investment as the will of the government is to produce more entrepreneurs in the near future. The success of producing entrepreneurs will result in direct nation effect such as increase in national GDP, higher income level and a reduce number of unemployment.

Table 1.2: Federal government development expenditure by sector (2009-2011)

| | RM million | | | Change (%) | | | Share (%) | | |
|------------------------------------|------------|--------|--------|------------|-------|-------|-----------|-------|-------|
| | 2009 | 2010 | 2011 | 2009 | 2010 | 2011 | 2009 | 2010 | 2011 |
| Economic Services of which: | 26,428 | 27,123 | 28,315 | 23.8 | 2.6 | 4.4 | 53.4 | 50.2 | 57.6 |
| Agricultural and rural development | 5,508 | 3,136 | 836 | 31.6 | -43.1 | -73.3 | 11.1 | 5.8 | 1.7 |
| Trade and industry | 5,592 | 4,711 | 9,621 | 22.1 | -15.8 | 104.2 | 11.3 | 8.7 | 19.6 |
| Transport | 8,531 | 7,904 | 9,644 | -7.4 | -7.3 | 22.0 | 17.2 | 14.6 | 19.6 |
| Social Services of which: | 17,831 | 21,197 | 15,539 | 27.7 | 22.0 | -26.7 | 35.1 | 39.2 | 31.6 |
| Education and training | 10,840 | 11,702 | 10,363 | 37.4 | 8.0 | -11.4 | 21.9 | 21.7 | 21.1 |
| Health | 2,575 | 3,594 | 2,212 | 55.9 | 39.6 | -38.5 | 5.2 | 6.7 | 4.5 |
| Housing | 1,420 | 1,181 | 903 | -20.2 | -16.9 | -23.6 | 2.9 | 2.2 | 1.8 |
| Security | 3,956 | 3,914 | 4,373 | -31.5 | -1.1 | 11.7 | 8.0 | 7.2 | 8.9 |
| General administration | 1,749 | 1,809 | 955 | -12.5 | 3.4 | -47.2 | 3.5 | 3.3 | 1.9 |
| Total | 49,515 | 54,042 | 49,182 | 15.6 | 9.1 | -9.0 | 100.0 | 100.0 | 100.0 |
| % of GDP | 7.3 | 7.00 | 5.9 | | | | | | |

(Source: Malaysian Economic Report, 2010/2011)

The development for the entrepreneurial sector has always been an important agenda for the Malaysian government. During the 2012 budget presentation by The Prime Minister of Malaysia, Datuk Seri Mohd Najib Tun Abdul Razak, he announced that the budget for entrepreneurial development with a total of RM3.32 billion includes;

- 1) RM300 million for projects involving *Bumiputera* entrepreneurs.
- 2) RM100 million fund managed by SME Bank for SME Revitalization Fund. This scheme offers a maximum total of RM1 million for entrepreneurs to revive their business.
- 3) RM200 million for the development of *Bumiputera* entrepreneurs and contractors through the Ministry of Rural and Regional Development.
- 4) RM300 million allocation managed by *Tabung Ekonomi Kumpulan Usaha Niaga* (TEKUN) for small entrepreneurs incentives.
- 5) Endeavors Trust Malaysia or known as *Amanah Ikhtiar Malaysia* (AIM) provided RM2.1 billion for micro financing to entrepreneurs, particularly for women. From this total, RM100 million provided for Malaysian India and Chinese entrepreneurs.
- 6) RM320 million for implementing various activities including skills training, leadership programs, resilience and entrepreneurship at the state and district level.

Thus the importance of entrepreneurship development in the Malaysian context cannot be denied anymore. There are many solutions towards the economic crisis that Malaysia has endured but entrepreneurship has been considered as one of the most effective solutions to economic and social crises faced by the country, particularly the increasing number of unemployed graduates and the challenges of

industrialization (Firdaus et al., 2009; Mastura and Abdul, 2008; Ramayah and Zainon, 2005). The number of graduates from the public and private higher educational institutions that join the job market keeps increasing each year and the number has exceeded the current demand. As a result academic qualifications are no longer a guarantee for immediate employment upon graduation, making it a requirement for graduates to show a positive attitude towards the changing job market by becoming available to work in areas where employment associated with their field is available (Morshidi et al., 2008).

The World Bank Institute (WBI), ranked Malaysia to be the 18th easiest country for doing business with in 2012 as compared to 2011 when it was ranked 23rd. Besides that, Malaysia is also among the countries to easily give credit facilities for business purposes (Doing Business, 2012). This situation shows that Malaysia is considered as a potential country to run a business. The start-up capital is also accessible since loan facilities are easy to acquire.

1.3 Entrepreneurship Education (EE)

Schools and universities are ideal placed to influence entrepreneurial attributes from an early age (Mahlberg, 1996). The EE in Malaysia starts as early as in primary school and it is incorporated within the mathematics course. It continues to the lower secondary level through the Integrated Living Skills course (*Kemahiran Hidup Bersepadu*) which was introduced in 1991. The effort to culture entrepreneurship continues to the upper secondary level where students are given the opportunity to take an elective subject related to entrepreneurship and commerce. The importance

of entrepreneurship education in Malaysia is in line with Malaysia's quest to create many business opportunities across all economic sectors and gain the status of a developed country by 2020 (Mastura and Abdul, 2008). The goal of entrepreneurship training in school level is to train students to become job creators and not job seekers (Kent, 1990). These types of programs have also been introduced among the local universities around the country.

Even though EE has started as early as at primary school level, some research shows that students failed to gain entrepreneurial interest after going through this type of education. According to Zaidatol (2002) students who achieve high academic results have low entrepreneurial potential and attitude compared to those who achieve lower academic results. Conclusions cannot be made based on just a few courses which were tested. One area in which relatively little research has been conducted is that of assessing the impact of educational and training initiatives (Henry et al., 2005). The development and running of entrepreneurial courses and programs is expensive in terms of money and time, both to participants and sponsors (Storey, 2000). There are still many entrepreneurial courses which have not been evaluated yet.

Each year, around 90,000 graduates are produced of which around 70,000 are able to secure a job successfully within the first 6 months (Ministry of Human Resources, 2011). Though the percentage of unemployed graduates is low, but the number is higher compared to the 1990's. This trend can be seen clearly in Figure 1.1. The figure shows that the numbers of unemployed graduates, especially among the Bachelor Degree holders are increasing each year. In 2010, the unemployed Bachelor

Degree holders is the highest compared to the previous years. Seeing the trend, the number will increase if the current situation is not improved.

The government is also in desperate need to help and improve local entrepreneurs who could generate the wealth and to sustain the economy of this country. One of the sources identified by the Malaysian government in promoting and creating entrepreneurs is university graduates who as valuable resources could affect the quality of future societies. Furthermore, they play critical roles in assuring the continued development of the economy of the country. Among the steps the government has introduced is a training scheme for graduates who are interested in venturing into entrepreneurship. At present most Malaysian universities offer courses in business which includes entrepreneurship. Incubator centers are available in some universities and colleges to encourage the development of entrepreneurship among graduates. In the same token to foster entrepreneurship development, specialized entrepreneurship courses have been introduced and are now common especially among tertiary educational institutions in order to encourage graduates to take up entrepreneurship as their career and avoid joining the gradually increasing number of unemployed graduates.

Thus the focus now is on graduate level as they do not rely on occupation opportunities from the government or the private sector but they desire to create and run their own businesses. The problem of rising number of unemployed graduates will continue to exist if no drastic action is taken to educate and inculcate the entrepreneurial skills and traits. Similarly courses and programs related to entrepreneurship are provided for all levels of people from school age children to

senior farmers. The aim is to develop new entrepreneurs as well as enhancing entrepreneurial skills among existing entrepreneurs. Rezai et al., (2011) explained that informal entrepreneurship education does not provide the entrepreneurship skills acquisition as expected. Besides that, training should be intensified to encourage attention to modern technologies as well as making fundamental changes in the attitude towards agriculture as a business.

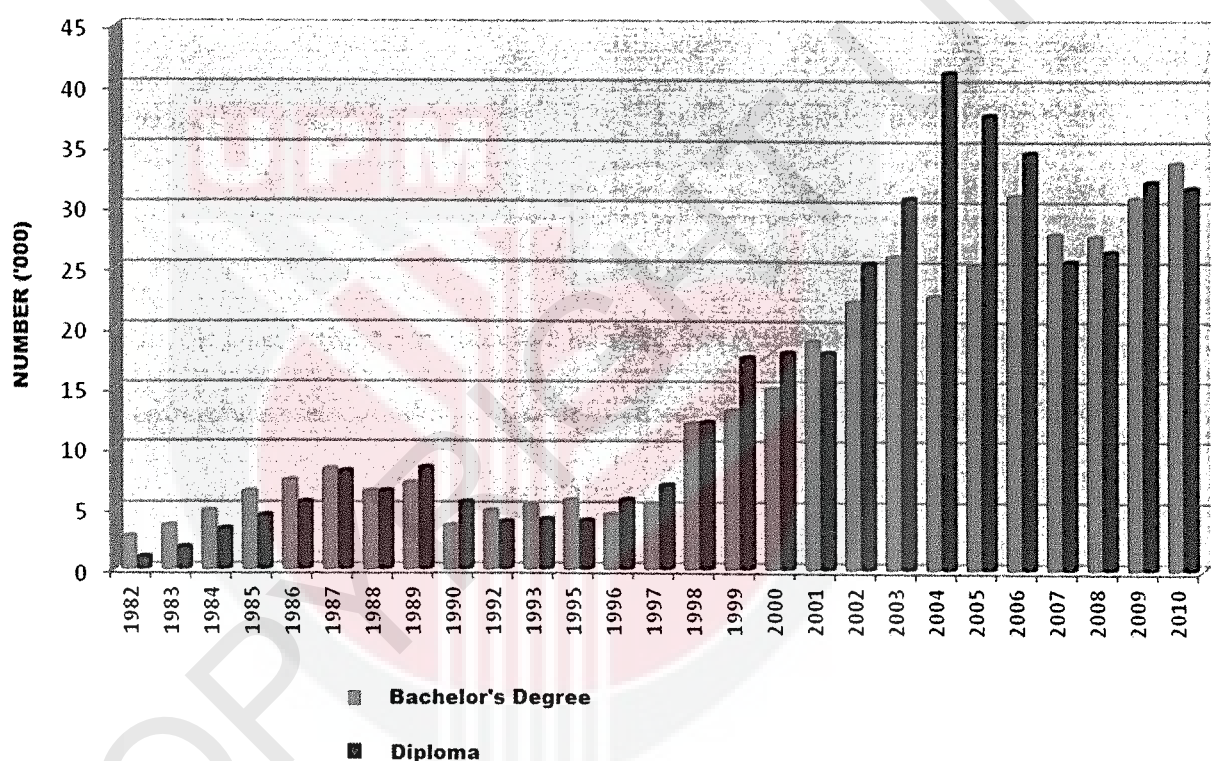


Figure 1.1: Number of Unemployed Graduates (1982-2010)
(Source: Department of Statistics, 2011)

1.4 National Institute of Entrepreneurship (INSKEN)

The establishment of INSKEN is the outcome of an action taken by the Ministry of Entrepreneur Development (KPU) during the 34th anniversary of the revolution when *Bumiputera* Economy Congress (KEB 4) took place on 10th and 11th

September 1999. During the KEB 4, it was suggested that an entrepreneurial institute was set up and headed by KPU. The aim was to become a one-stop center for services such as counseling, research and development, market intelligence, networking and specific training for all entrepreneurs as a preparation towards global business challenges.

A few years later, on 12th January 2005, the cabinet agreed with the establishment of INSKEN under the Ministry of Entrepreneur and Co-operative Development (MeCD) and on 22nd May 2006 INSKEN was officially launched. Through the Ninth Malaysian Plan, INSKEN's role was to become the reference for conducting and coordinate the training programs for all agencies involved in entrepreneurial development. However, the main objective of INSKEN was to be a knowledge-based center of entrepreneurial excellence and help in the development of entrepreneurs who had the appropriate qualities, knowledge, skills and ethics (INSKEN, 2010). INSKEN plays a major role in handling entrepreneurial programs and courses for the Malaysian community especially the *Bumiputera*'s. Among the functions of INSKEN are;

- 1) Implement entrepreneurial culture through programs.
- 2) Managing entrepreneurial training programs.
- 3) Centre of entrepreneurial reference and advisory services.
- 4) Performing research and development (R&D) on entrepreneurship training and market surveys.
- 5) Managing entrepreneurial extension and networking.
- 6) Developing entrepreneurship training curricula.

KAKS (*Kursus Asas Keusahawanan Siswa*) is among entrepreneurial programs established by INSKEN. At university level, KAKS is among the most well-known entrepreneurial course. It started in 2003 with 19 local and 1 private institutions of high education involved. Until now, KAKS has expanded to 27 Polytechnics in order to benefit the technical skills offered in entrepreneurship and almost 20,000 students have undergone this course nationwide (INSKEN, 2010). This course targets *Bumiputera* final year students in higher education institutes who are interested in the business field. The selection of participants is done at university level where each participating university will choose their own students and run the program by themselves. Due to overwhelming demand from students, applicants of KAKS course are given attitudinal tests whether they are really suitable to join KAKS or not. Usually, the period of KAKS ranges from five days to seven days. Through this course, participants will get exposed to business opportunities, entrepreneurial simulations, and characteristics of successful entrepreneurs and also become motivated to enter the field. Participants are not only trained theoretically but also practically. Among the highlighted activities during KAKS are motivational talks by successful entrepreneurs and also entrepreneurial practical field training. At the end of the course, participants will be given a certificate that makes them eligible to apply for the Graduate Entrepreneur Scheme, also known as *Tabung Usahawan Siswazah (TUS)*. (INSKEN, 2010)

INSKEN is also linked to financing agencies such as *Tabung Ekonomi Kumpulan Usaha Niaga* (TEKUN Nasional), Small Medium-sized Enterprises (SME) Bank and Agro-bank. Each of these financing agencies has its own budget disbursed by the government to fund present or future entrepreneurs. TEKUN Nasional was

previously known as TEKUN Nasional Foundation which was an agency under the Ministry of Entrepreneurial and Cooperative Development. The establishment of TEKUN Nasional in 1998 with an objective of providing simple and quick financing facilities to *Bumiputeras* to kick-start and expand their business. Since 2008, TEKUN Nasional has changed its policy in becoming a strategic entrepreneur development partner instead of just being a financing body. It shows that TEKUN Nasional does not only help entrepreneurs financially but it also helps to develop entrepreneurs with guidance, support and networking platforms. TEKUN Nasional finances between RM500 and RM50,000 with a repayment period from 1 month to 5 years and a 4% processing fee charged annually. The advantage of TEKUN Nasional is that they cater only for micro-credit financing which makes it easier and quicker for the financing process.

SME Bank started its new function as a development financial institution to cater to the unique needs of small and medium enterprises (SMEs) in 2005. They also act as a one stop financial center responding to the business growth needs of SMEs in Malaysia. TUS is also a fund managed by SME Bank with the loan range of RM20,000 to RM500,000 with an interest of 4% per annum. SME Bank does not only act as a financial institution but also provides entrepreneurial training and programs such as Graduate Entrepreneurs Incubation (PIUS). This program is designed for graduates who are interested in making entrepreneurship their career. There are four main components which consist of entrepreneurial training, mentor-mentee program, attachment program and counseling. This program takes place during three months and at the end of this program the participants must submit their business plan.

Agrobank is a Government-linked-Company (GLC) with a policy set forth by the Ministry of Agriculture and Agro-based Industry and acts as the financier for the agricultural sector. Among the loans for agriculture related businesses are the Entrepreneur Loans Fund Agriculture (DPUP) which is a special government fund for agri-entrepreneurs or future agri-entrepreneurs. The financing amount from this loan is from RM10,000 to RM10 million with a repayment period of 10 years. Since the issue to poverty has been highlighted recently, the government allocated a special fund through Agrobank to finance all types of projects related to food production. This fund provides an amount ranging from RM10,000 to RM10 million with a profit return of 3.75% for funding up to RM5 million and 5% for funds above RM5 million to RM10 million. The repayment period is up to 10 years.

Under the Ninth Malaysian Plan, the government focused on five major trusts which included “improving the standard and sustainability of quality of life” as the fourth trust. Among the essence of this trust was to improve the standard of living by introducing programs to equip the youth with values such as Skills, Leadership and Entrepreneur Program which provide training for almost 125,000 participants.

Programs were implemented to equip the youth with necessary skills and values such as Skills, Leadership and Entrepreneur Programme, which provided training for 124,880 participants. Specific programs were also initiated to encourage national unity and social integration among the youth. A total of 2,400 programs were implemented involving more than half a million multi-ethnic participants. The Youth Development Programme which encouraged participation in youth associations recorded 1.9 million registered members.

1.5 Agriculture as Business

The role of the agricultural sector is to prepare a stepping stone towards growth and development of an economy through its industries or modern agricultural methods. From an economy that relied on commodity exports such as tin and rubber in the year 1960, the Malaysian economy became a major global exporter of agro-based products from oil palm, rubber, timber and cocoa.

The Malaysian government established the Ministry of Entrepreneur and Co-operative Development (MeCD) for entrepreneurs in 1995. This clearly demonstrated that the Malaysian government valued the importance of entrepreneurship and entrepreneurial development (Ariff and Abu, 2003). The role of institutions became very important towards restructuring and repositioning the agriculture sector in Malaysia. Under the NAPA, the agricultural sector focused on its reorientation towards greater commercialization and the creation of high income among farmers as well as promoting greater private sector investments including foreign investments. The policies related to this were: increasing agricultural production including venturing into new sources of growth with greater private sector participations; expanding agro-based processing activities and product diversification; strengthening marketing and global netting; enhancing income of smallholders, farmers and fisherman and improving the service delivery system.

Malaysia is known worldwide for primary commodities such as palm oil, rubber and cocoa. The success of these sectors was driven by private estates or agricultural companies that turned their productions into successful business ventures. The risks

and vagaries of agricultural ventures were either internalized or dealt with creatively. Some of the technologies invented were home-grown, such as new planting materials and processing techniques. The success of these private estates is a living proof that agriculture can be a big business. But the "other" agricultural and food sectors have not been able to match the scale of business of the primary commodity sector. With the current perception that agriculture is a risky and low-return investment, the question remains on how more people could be lured into towards becoming "agri-entrepreneurs" or create "agribusiness firms". For sure, entrepreneurs cannot be created overnight. It requires a conducive business environment, education and continuous training, fiscal incentives, credits, technological and infrastructural support. All these strategies have been deliberated in Government policy documents and no stone was left unturned.

However, agri-entrepreneurs are not entering the economy at the rate expected. The pull of lucrative returns from non-agricultural ventures is stronger than those of agriculture. While markets will dictate resource allocation, further policy support and interventions will expedite and shape the allocation in a desirable way. The contribution of agriculture to the GDP is underestimated due to the exclusion of agro-based sectors in the accounting system. Besides not providing the full picture, it gives the impression that the role of agriculture in the economy is declining. Hence, the national accounting system for agriculture needs to be revised.

Federal Agricultural Marketing Authority (FAMA) is among the government agencies under the Ministry of Agriculture and Agro-Based Industry. It was established to develop an efficient and effective food and agricultural marketing

chain. The agricultural products under FAMA include vegetables, fruits, grain, herbal, livestock's and aquaculture. FAMA is also involved in the development of entrepreneurs in the agriculture and agro-based industry. It helps to organize agri-entrepreneurs in terms of facilitating marketing platforms and providing training to enhance the entrepreneurial skills of agri-entrepreneurs. Among the programs conducted by FAMA is the Fresh Fruit Stall Entrepreneur Program (GBBS). This program helps entrepreneurs to manage fruits stalls and while promoting local fruits particularly during the fruit season. Besides that, FAMA has introduced the Tricycle Agri-entrepreneur Program. This program targets wholesalers and collectors of surpluses among agricultural products such as fruits and vegetables from farms. The objective of this program was to eradicate poverty and provide opportunity for people from rural areas to become entrepreneurs (FAMA, 2012).

Although the Malaysian government has made an effort to increase agriculture production via various programs, the food imports valued at RM30 billion in 2011 with a balance of trade deficit at RM 12 billion in the same year. This huge national deficit on food products can raise the cost of living due to the increase in food prices. Having realized this issue the government launched MyAgroSis, or the Agriculture Graduate Entrepreneurs Club in December 2011 with the objective of increasing the country's food production through the efforts and supervision of graduates from high education institutes. An allocation of RM30 million was given for this project (FAMA, 2012).

1.6 Problem Statement

Entrepreneurship is the backbone of a country's economy. A country would not be able to compete with others on economic basis without the existence of business entities. Though entrepreneurship has created substantial wealth for certain individuals, but there are remarkable risks and efforts involved. Such phenomenon is seen throughout the world where candidates for future workforce have a lack of interest towards the entrepreneurial sector. According to a study by Ministry of Higher Education in 2010, only 15.9% of unemployed graduates prefer to be an entrepreneur or self-employed as their first choice of career path (MOHE, 2010).

In Malaysia, the government has always been concerned regarding entrepreneurship. The focus is to produce educated entrepreneurs who will contribute to the local economic growth. Large funds such as RM171 million under the Ninth Malaysian Plan have been allotted for this purpose and the investments were made with the hope that more entrepreneurs would join the agricultural sector which is regarded as the engine of growth for the Malaysian economy (Bernama, 2012). The entrepreneurs can be divided into two categories which are inherited or developed to be entrepreneur. Inherited entrepreneurs are individuals who continue the business of his or her family members. The second group is those who learn to become entrepreneurs. The learning process involves catalytic factors such as soft loan opportunity, entrepreneurial training and also government assist.

In order to increase the number of entrepreneurs, graduates who are the main pillar of a nation have become the main focus. The number of graduates produced each year

is increasing which means subsequent job opportunities cannot accommodate them all. Only a small number of graduates join the business world and become entrepreneurs. The remaining graduates prefer to look for job opportunities in the government or private sectors. If this trend continues, it will result in an increase in number of unemployed graduates and affect the country's future economy. The low percentage of entrepreneurs in the total workforce affects the whole economy since it increases the number of consumers and decreases the number of producers and forces citizens towards the middle income trap effect.

The establishment of KAKS in 2004 was to develop future entrepreneurs among all graduates. A good example of this is an engineering student who received a Bachelor's Degree in Civil Engineering but went on to become a small agro-based business owner. This was truly what the government was targeting. There are other students who also have interest in the entrepreneurial sector but they have little or no information and training. KAKS is the platform for them to receive the information and guidance they seek. Moreover, they can also gather information about other participants who have experience in business before attending this course. Networking is also built through this course when upon graduating; the participants combine together and start a business of their own. This phenomenon creates a group of graduates who share the same interest of becoming entrepreneurs. Despite these opportunities provided by KAKS the remaining issue is how far KAKS is effective in influencing the participants to become entrepreneurs. Besides that, there are concerns on whether participants are really influenced by KAKS rather than the benefit of attending KAKS such as access to soft loans and business assistance from the government.

Capital is considered as the most important resource in entrepreneurship as it is needed to produce goods or services. Existing commercial funding such as cash balances, bank overdrafts, working capital from investors and creditors will not be the choice of a rookie in entrepreneurship. This is due to the fact that the business is new, unstable and infamous so it prohibits them from receiving these types of funding. Besides basic entrepreneurial training provided by the government, the availability of soft business loans from certain financial institutions have become an advantage for individuals who have the intention to become entrepreneurs. Thus, it is important to uncover just how far these types of financial aid could influence individual or KAKS participants to become an entrepreneur. There are possibilities that some individuals intend KAKS just for the purpose of accessing loan.

Malaysia is known for the natural agricultural resources. Though there are so many opportunities inside this sector, the new generation has less interest towards this sector. Over the past few years, the government of Malaysia has put focus on this sector even though this sector continues to attract less attraction. Currently, the attention given by the government has paid off. It has become something common to see individuals at young ages becoming agri-entrepreneurs. Not only does the government provide training, they also help in terms of subsidies as well as providing marketing platforms. For example, the smallholders of palm oil plantation in Malaysia is becoming a fully subsidize sector. Those who have the land and interested to get involved in the palm oil plantation can apply for subsidy such as palm oil seedlings, fertilizers and also the preparation for the palm oil plotting. The subsidy provided by the government is approximately RM19,000 per hectare (MPOB, 2012). As the government continues to provide subsidies for those who are

interested in the agricultural sector, it is debatable on how far these subsidies can influence individuals or KAKS participants to become agri-entrepreneurs.

In most literature, personal attitude and external influences are among the factors that contribute towards influencing individuals to take up behaviors. Generally, individuals are easily influenced by the people around them such as family and friends. This study aims to explore whether these factors can influence KAKS participants to become agri-entrepreneurs.

The effectiveness of KAKS course remains debatable since there are chances that participants attend this course for various reasons. Some individuals may already have business experience from their family and only attending KAKS as formality to become eligible for the TUS. The question still remains unanswered on what drives these individual to become agri-entrepreneurs. Thus, it is inevitable to conduct a study on what factors influence participants of KAKS course to become an agri-entrepreneur and to what extent these factors influence the participants to become agri-entrepreneurs.

1.7 Research Question

The research question for the study is

- 1) What are the factors that could influence the graduates of KAKS to take up agriculture as an agribusiness activity as a career.
- 2) What are the impacts of socio-economic profiles of participants in becoming motivated by KAKS.
- 3) What are the impacts of KAKS in influencing intentions of graduates towards becoming an agri-entrepreneur.

1.8 Objective of the Study

The general objective of this study is to uncover the underlying factors that could influence the intentions of KAKS graduates to take up agriculture as an agribusiness activity as a career. The specific objectives are:

- 1) To investigate the influence of socio-economic profiles of participants in becoming motivated by KAKS.
- 2) To determine the impact of KAKS in influencing intentions of graduates towards becoming an agri-entrepreneur.

1.9 Significance of Study

This study can be applied for policy implications such as whether there is a need to improve the public awareness and develop the standard control measures to ensure

the effectiveness of entrepreneurship education, which is intended on the government, trainers and educators. There should be space given for students during their studies to get involved in entrepreneurship. Nowadays, the introduction of entrepreneurial incubators has increased the number of young entrepreneurs. However, usually before choosing the participants, only a written test or attitude test is given to select the students. What could be done is to expose students to a basic and short entrepreneurial course. From that course, potential students can be chosen. The longer length gives a better chance to choose the suitable candidates for the incubation.

1.10 Organization of the Thesis

This section will deal with how the thesis is organized. This study consists of five chapters covering different areas of the study. The introduction in chapter 1, gives wider knowledge of entrepreneurship scenario, entrepreneurship education and a clear picture of the issues involved in conducting the study. It contains the introduction, problem statement, objectives and the significance of the study. Chapter 2 provides a literature review of the most recent and relevant studies in this field. The dimensions involved in the study are also discussed in detail. The methodology adopted in this study and the statistical analysis techniques employed in the analysis of the data is presented in detail in Chapter 3. Chapter 4 presents a descriptive analysis of the survey data for perception and attitude of KAKS participants towards entrepreneurship and the course itself. It also presents and elaborates on the results and the analysis of the study. Chapter 5 summarizes major findings, contribution of the thesis and suggestions for the future direction of research in this area.

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