



**UNIVERSITI PUTRA MALAYSIA**

**FACTORS ASSOCIATED WITH THE LEVEL OF ENTREPRENEURIAL  
PERFORMANCE OF GRADUATE ENTREPRENEURS**

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OF GRADUATE ENTREPRENEURS**

**BY**

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This thesis on the graduate entrepreneurs of the Special Graduate Programme (SGP) for tax agents aimed to determine the factors associated with the level of entrepreneurial performance of graduate entrepreneurs. A total of 78 graduate entrepreneurs from the state of Selangor and Wilayah Persekutuan were studied. These graduate entrepreneurs were heads of firms which have been operating for at least two years. Specifically the study sought to determine the relationships between the entrepreneurial education and the entrepreneurial development with the level of performance of the graduate entrepreneurs.

Frequencies, means and percentages were used to interpret the entrepreneurs' personal profile, business profile and the



management problems encountered. Correlations were used to identify the relationships and associations of selected independent variables with the level of performance. One-way ANOVA and T-test were used to identify the differences of means between groups of selected variables in the personal and business profiles.

In general, the results showed that three-quarters of the graduate entrepreneurs studied used only a minimal amount of initial capital which was less than RM 5,000. Only a third of the respondents have had work experience. The graduate entrepreneurs scored 'moderate' in entrepreneur's traits and interest but high in entrepreneurial development. Half of these entrepreneurs felt that the SGP training has contributed highly towards their entrepreneurial education. Positive relationships existed between the level of performance with SGP training, tertiary education, entrepreneur's traits, interest and upbringing respectively. The level of performance of these graduate entrepreneurs tended to be influenced by their SGP training and entrepreneur's traits. Only previous job experienced in the sales related field showed a significant relationship with the level of performance with regard to the graduate entrepreneurs.

In conclusion, responses from 78 graduate entrepreneurs have shown that among the independent variables found in



entrepreneurial education, the SGP training has a significant influence on the overall level of performance of the graduate entrepreneurs. Among the entrepreneurial development factors, the entrepreneur's traits seemed to greatly influence the graduate entrepreneur's overall level of performance.



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FAKTOR-FAKTOR YANG BERKAITAN  
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Tesis mengenai usahawan graduan Skim Latihan Khas (SLK) agen percukaian bertujuan untuk menentukan faktor-faktor yang berkaitan dengan tahap prestasi usahawan siswazah. Seramai 78 usahawan siswazah negeri Selangor dan Wilayah Persekutuan telah dikaji. Usahawan siswazah ini merupakan ketua firma yang telah beroperasi sekurang - kurangnya selama dua tahun. Khususnya, kajian ini bertujuan untuk menentukan perkaitan antara angkubah latihan keusahawanan, pembangunan keusahawanan dengan tahap prestasi usahawan siswazah.

Kekerapan, min, dan peratusan digunakan untuk menerangkan profil usahawan, profil firma usahawan dan masalah pengurusan yang dihadapi. Korelasi telah digunakan untuk mengenalpasti perkaitan dan perhubungan angkubah-angkubah terpilih dengan



tahap prestasi usahawan. ANOVA sehala dan Ujian-T telah digunakan untuk mengenalpasti perbezaan min antara kumpulan dalam angkubah-angkubah terpilih daripada profil peribadi dan profil firma usahawan.

Pada keseluruhannya kajian menunjukkan yang tiga-perempat daripada usahawan siswazah ini menggunakan modal permulaan yang kurang daripada RM 5,000. Hanya sepertiga daripada kalangan usahawan siswazah ini mempunyai pengalaman kerja. Usahawan tersebut menunjukkan pencapaian dan minat yang sederhana tetapi tinggi dalam pembangunan keusahawanan. Separuh dari usahawan ini merasakan yang latihan SLK telah banyak memberi sumbangan terhadap pendidikan keusahawanan mereka. Hubungan yang positif wujud di antara tahap prestasi dengan latihan SLK, pendidikan tinggi, sahsiah keusahawanan, minat dan asuhan. Tahap prestasi dipengaruhi oleh latihan dan sahsiah keusahawanan. Pengalaman kerja dalam bidang jualan dapat memperlihatkan kepentingannya dalam perhubungan dengan tahap prestasi usahawan siswazah ini.

Kesimpulannya, respon daripada 78 usahawan siswazah ini menggambarkan kepentingan latihan di kalangan angkubah sandar yang terdapat di dalam pendidikan keusahawanan sebagai mempengaruhi tahap prestasi keusahawanan. Di kalangan faktor pembangunan keusahawanan, sahsiah keusahawanan mempengaruhi tahap prestasi keusahawanan.



## CHAPTER I

### BACKGROUND OF THE STUDY

In the early nineteen eighties, Malaysian graduates were faced with unemployment. Unemployment rate in Malaysia rose rapidly from seven percent in the year 1987 to ten percent in 1989 (Abu Daud and Jamilah, 1991). For the first time, 20,000 graduates from both the local and foreign universities under various study sponsorships were released from their scholarship bonds (New Straits Times, 1983).

However, the situation was not just due to the lack of positions. According to the Malaysian Department of Statistics (1989) 63 percent of job vacancies could not be filled because most of the graduates' qualifications did not correspond to those required by potential employers. Some graduates were found to be inexperienced, technically unqualified and too choosy in their search for jobs. There were also graduates who lacked initiative to be self-reliant (Berita Minggu, 1987) and others who just do not have the confidence to venture into business (Abu Daud and Jamilah, 1991).

To reduce unemployment, the Education Minister proposed four strategies to encourage a change in the graduates' way of thinking (Star, 1987). The strategies aimed to create a self-





reliant and independent graduate. One of them was to employ the graduates on temporary basis to give them employment experience in secretariats or units of organisations which include chambers of commerce and corporations. The aim was to provide greater opportunities for the unemployed graduates.

Special programs were designed to cater to the needs of the unemployed graduates. Berita Harian (1991) quoting Anwar Ibrahim said that twenty agencies from the government and the private sector have implemented the entrepreneurship programmes. They were the Small Scale Enterprise, Bumiputra Contractor Training, Youth Enterprise Training, Project Identification and Licensing Courses and the Special Graduate Schemes. One of the Special Graduate Schemes was the Special Graduate Program (SGP II) for Tax Agents or more popularly known as the Skim Latihan Khas II Agen Percukaian.

#### **The Special Graduate Programme for Tax Agents**

The SGP II was a programme designed to train the graduates to become tax agents. The SGP II scheme catered for two kinds of graduates, the fully unemployed as well as the temporarily unemployed, which are both classified as unemployed graduates. Cooperation of agencies such as Mara Institute of Technology, Universiti Pertanian Malaysia, Income Tax Department, Public Service Department, Ministry of Education and also the Ministry of Finance made it possible to equip the unemployed graduates

with the necessary skills in entrepreneurship. The training programme was initially carried out in Universiti Pertanian Malaysia. Today the programme has been transferred to the Mara Institute of Technology.

On the whole, SGP II aimed to produce 1,000 qualified tax agents (Abu Daud and Jamilah, 1991). They were selected from various backgrounds. Upon successful completion of the SGP II training programme, licences were given to them by the Ministry of Finance under section 153(3)(c) of the Income Tax Act to conduct the relevant business the graduates were trained for.

The SGP II training was conducted for six months. It was pragmatic in nature. The curriculum consisted of technical knowledge blended with the much-needed entrepreneurial skills. The graduates were exposed to the overall nature of their intended job and given hands-on practical training.

Initially the SGP II was carried out in two groups. The first, Group A, completed a three-month course for participants with an accounting background. The second, Group B, followed a six-month course for participants from all other fields of study. Two batches of tax agent trainees were developed from each group. Later, it was realised that entrepreneurship was a totally new experience for all the graduates. Thus a new schedule was introduced (Abu Daud dan Jamilah, 1990).

Training for SGP II was then carried out for six months for all groups irrespective of their background. SGP II managed to produce four groups of tax agents by December 1990. This accounted for 845 graduates trained from all over Malaysia. However, census made by the SGP II lecturers showed that only 475 participants out of the total number trained became entrepreneurs (Refer to Appendix B). More than a third of the graduate entrepreneurs (36%) were operating in the state of Selangor and Wilayah Persekutuan.

#### **Performance of the Graduate Entrepreneurs**

On the performances of the graduate entrepreneurs, Haw (1988) and Raja Ariffin (1988) acknowledged that the graduates in the SGP I entrepreneurship scheme has reaped success. Anwar Ibrahim quoted by Badrul (1991) said that the SGP II has trained 845 qualified tax agents and has thus successfully created about 300 tax agent firms throughout Malaysia. The graduate entrepreneurs have either formed sole proprietorships or partnerships. Badrul also reported that the government with other interested parties will continue guiding these graduates in their progressive careers.

However, despite the training and guidance, the tax agent graduates are still facing problems in relation to their entrepreneurship. They have no confidence, do not know how to

start a business and do not know how to relate to clients (Abu Daud and Jamilah, 1991).

Nik Abdul Rashid (1983) noted that new entrepreneurs lacked resourcefulness, knowledge, skills and expertise, support, aid and reinforcement for them to succeed. Confirming Nik Abdul Rashid's view, other interested parties also noted that graduate entrepreneurs lacked the capital for their firms' formation as well as experience to conduct their duties (Berita Harian, 12-4-88). A report in a daily news (Berita Minggu, 4-1-87) stated that the graduates do not reflect the behavioural qualities of an entrepreneur. In addition, Sabariah Sheikh Ali (1989) commented on their entrepreneurial education and training which are still insufficient.

In a technical report made by Abu Daud and Jamilah (1991), the SGP II graduate entrepreneurs were also facing similar problems such as marketing its firm services and getting access to financial help. The shortcomings highlighted earlier certainly do indicate some flaws in the entrepreneurship programme. However little information is available on the actual programme results and performance of the graduate entrepreneurs. Some of the literature regarding graduate entrepreneurs in Malaysia were not based on empirical research. Since the programme is integrative in nature, whereby several institutions and agencies are involved, there is a need for

an in-depth research on factors associated with the graduate entrepreneurs' performance. Such research would be of great interest to the relevant parties.

Immediate information was needed to identify the factors associated with the graduates performance in entrepreneurship. How are the factors related and to what extent can relationship be revealed? An in - depth knowledge on the factors associated with the entrepreneurial performance will be useful information for the SGP entrepreneurs and administrators.

#### **Statement of the Problem**

The SGP II's aim to produce tax agents is a new scheme introduced with the objective of exposing the unemployed graduates to the world of self-employment and entrepreneurship. Several institutions are keen to gather empirical facts to be used as a foundation for the future expansion and development of strategies in facing unemployment. Enquiries on how successful is the training approach and curriculum used are frequently raised by the interested agencies. Other enquiries include the effectiveness, contributions and consequences of tertiary education, work experience, the involvement in associations and personality development such as interest, traits and upbringing in affecting entrepreneurial development and strategies.

With regard to performance of entrepreneurs, it was found that associated factors are important consideration in the graduate entrepreneurs study. These factors include training, tertiary education, work experience and membership in associations (Collins and Moore, 1970; Amminudin Sulaiman, 1977; Abdul Aziz, 1981; Storey, 1982; Birch, 1982; Zulkifli Abu Bakar, 1988). In addition, the entrepreneurial development factors such as interest, entrepreneur's traits and childhood upbringing may also contribute to a positive performance (Friedman and Roseman, 1974; Matteson and Preston, 1982; Owens and Vinarsky, 1983; Gordon, 1986; Zakaria, 1986).

In order to understand the performance of the graduate entrepreneurs, issues mentioned earlier need to be answered. To date, complete data are not available to understand the relationship of the factors associated with the performance of graduate entrepreneurs. This study will focus on getting the pertinent data associated with the level of performance of the tax agents as graduate entrepreneurs.

#### **Objectives of the Study**

The general purpose of the study is to identify the factors associated with the level of performance of the SGP graduates in Selangor and Wilayah Persekutuan. The specific objectives are:

1. To determine the profile of the entrepreneurs

2. To determine the level of performance of the graduate entrepreneurs
3. To determine the differences between means of groups in the personal and business profiles in terms of the level of performance of the graduate entrepreneurs
4. To determine the relationship of the entrepreneurial education and entrepreneurial development factors with the level of performance of the graduate entrepreneurs
5. To determine the problems faced by the graduate entrepreneurs in the tax agent industry in the state of Selangor and Wilayah Persekutuan

#### **Significance of the Study**

It is realised that entrepreneurs have an impact on the economy. Efforts aimed at developing and creating graduate entrepreneurs among the unemployed graduates are being carried out by both the public and the private sectors.

The identification of the factors associated with the graduate entrepreneurs' level of performance in the SGP programme will contribute to a better understanding of the graduate entrepreneurs. It will bring out new perspectives on the training needs for graduate entrepreneurs. It will fill the gap which exists in the study of entrepreneurship in

Malaysia and it will assist the entrepreneur to create new ideas and experiences for their future development. This will be of intrinsic scientific and sociological interest as well as of practical value.

This research on entrepreneurship is important not only to economists, but also to sociologists and psychologists who will want to know about the types of individual needed for successful entrepreneurship in Malaysia. With the government's call for graduates to act as a catalyst within the country's development, this research can in its minute way contribute a more wholistic view of the situation.

#### **Scope of the Study**

Immediate efforts of entrepreneurs cannot be quantified. The newly operating graduate entrepreneurs need to be given time to practise the acquired skills and knowledge gained from the SGP training. Physical constraints have also led to the limitation in this study. Time and finance limit the areas covered. This study focused only on the graduate entrepreneurs in the state of Selangor and Wilayah Persekutuan who have been operating in the market for at least two years. The population totaled 78 entrepreneurs. Results from this study cannot be generalised to all entrepreneurs in Malaysia.



### **Operational Definitions**

**Special Graduate Programme** refers to the SGP II programme held in Universiti Pertanian Malaysia to produce qualified tax agents.

**Tax agents** refer to the participants who graduated from the SGP programme. They were given licences for operation under the approval of the Minister of Finance within section 153 (3) (c) of the Income Tax Act.

**Graduate entrepreneur** refers to practising tax agent based in the state of Selangor and Wilayah Persekutuan. They have been in operation for at least two years.

**Sales** refer to the cumulative income gathered from both the received and unreceived income made on services produced by the graduate entrepreneurs.

**Net profit** refers to the total sales made minus all expenses made. Expenses do not include tax reduction.

**Performance** refers to the respondent's score based on the number of clients served, sales made, expenses incurred and net profit gained or loss for the years 1989 and 1990.

**Level of performance** is derived from the net profit gained in 1990 minus net profit gained in 1989. Interpretations of positive, negative and no change in profits are made.