

**THE IMPACT OF ERNTREPRENEURSHIP EDUCATION COMPONENTS ON
STUDENTS' ENTREPRENEURIAL INTENTION**

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**This report submitted in partial fulfillment of the requirements for the
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DECLARATION

I declare that this project paper “The Impact Of Entrepreneurship Education Components On Students“ Entrepreneurial Intention” is the result of my own research except as cited in the references.

Signature :

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Date :

DEDICATION

This paper is dedicated to:

My beloved parents, with their love and effort who always pray and support me, my family for their never ending support, motivation and attention.

ACKNOWLEDGEMENT

Express sincere appreciation to loyal supervisor, Madam Nor Azan Binti Abd Gani for their guidance, support, guidance never stop to give wisdom and understanding throughout this Final Year Project.

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ABSTRAK

Walaupun bilangan program pendidikan keusahawanan semakin berkembang, kesannya adalah di bawah kajian dan kajian menunjukkan satu gambaran kabur kesan pendidikan keusahawanan. Oleh itu, kajian disertasi bertujuan untuk menyumbang kepada pemahaman kesan pendidikan keusahawanan kepada niat keusahawanan pelajar. Kajian ini bertujuan untuk mengenal pasti hubungan antara komponen pendidikan keusahawanan kepada niat keusahawanan pelajar. Kajian ini juga bertujuan untuk menentukan komponen keusahawanan pendidikan yang mana lebih mempengaruhi niat keusahawanan pelajar. Kaedah-kaedah digunakan dalam kajian ini adalah soal selidik yang telah diedarkan kepada 200 orang pelajar di UTeM bagi mengumpul data kuantitatif. Semua 200 soal selidik telah dikembalikan dan dianalisis menggunakan SPSS 22. Hasil kajian menunjukkan bahawa komponen pendidikan keusahawanan mempunyai kesan besar ke atas kecenderungan keusahawanan pelajar. “Know-who dan “Know-how” masing-masing mempunyai kesan ke atas kecenderungan keusahawanan pelajar. Komponen penting yang memberi kesan paling banyak ke atas kecenderungan keusahawanan pelajar adalah “Know-who” komponen. Penyelidik menggunakan regresi dan korelasi untuk menguji hipotesis dalam kajian ini.

ABSTRACT

While the number of entrepreneurship education programmes is growing, their impact is under-researched and studies paint an ambiguous picture of the impact of entrepreneurship education. This dissertation study therefore aims to contribute to the understanding of the impact of entrepreneurship education on students' entrepreneurial intention. This study aims to identify the relationship between entrepreneurship education component on students' entrepreneurial intention. This research also aims to determine which entrepreneurship education component that is more affecting student's entrepreneurial intention. The methods use in this study is surveying questionnaires that were distributed to 200 students in UTeM to gather the quantitative data. All the 200 questionnaire were returned and analyze using SPSS 22. The result of the study indicates that entrepreneurship education components have a significant effect on students' entrepreneurial intention. Know-who and know-how, respectively have effect on students' entrepreneurial intention. Important component that impact most on students' entrepreneurial intention is the know-who components. The researcher used regression and correlation analysis to test the hypothesis in this study.

SUPERVISOR VERIFICATION

„I hereby acknowledge that I have read this project paper and in my opinion this work sufficient in terms of scope and quality for the award of Bachelor Degree of Technopreneurship“

Signature :

Supervisor's Name :

Date :

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CHAPTER 1

INTRODUCTION

1.1. Background Of Study

1.1.1. Importance of entrepreneurship

Entrepreneurship has been recognized as the “engine” that drives an economy to create new businesses, new jobs and well-being (Drucker, 1985; Gorman et al., 1997). It facilitates the economy by stimulating the growth in innovation and competition. Innovation includes the creation of new businesses, new products/services, or new operational processes of a firm (Thurik & Wennekers, 2004). According to Hebert and Link (1989), the relationship between entrepreneurship and economic growth reflects the innovative role of entrepreneurship in new entry and economic regeneration. This is supported by Acs et al. (1992) who argued that entrepreneurship is an important source of innovative activities and job opportunities and thus has an important impact on economic development. Thus, entrepreneurs play an important role in transforming inventions and ideas into economic activities (Baumol, 2002).

The past decades have witnessed the rapid emergence of entrepreneurial activity across the globe. According to the Kaufman Index of Entrepreneurial Activity (2005), about 550,000 new businesses were generated every month in America during 1996-2004. These indicate that about 6.6 million firms were created every year, accounting for

75% of the net new jobs in the country (Scarborough & Zimmerer, 2006). These reflect that the US economy is highly entrepreneurial. Indeed, not only in the USA, has entrepreneurship also perceived important in other nations. For example, Canadian small companies accounted for about 66% of new jobs of the whole country (Ibrahim & Ellis, 2002). In Europe, small companies represented more than 90% of all European Union enterprises and produced approximately 66% of all jobs (Henderson & Robertson, 2000). In China, nearly 75% of growth in GDP during 1980-2002 was due to the entrepreneurial activities created by the small and medium sized companies which constituted over 99% of all firms in China (Li et al., 2003).

1.1.2. Importance of entrepreneurship education

Ascertaining the importance of entrepreneurship, continuously supplying or fostering entrepreneurial persons has become the pinpoint of the economic prosperity. Entrepreneurship education focuses on developing entrepreneurial knowledge, capacity, skills as well as entrepreneurial attitudes and intentions that are congruent with the needs of the economy.

Many studies have shown the importance of entrepreneurship education in new business creation and economic development. Cho's (1998) study revealed that entrepreneurship education promotes entrepreneurial intention because the entrepreneurial knowledge and skills acquired by the participants can rouse their interest and motivation to start up. More recently, Menzies & Paradi (2002) studied 287 engineering students (177 entrepreneurship students and 110 control group students) and tracked their entrepreneurial behavior for 15 years. They found that 48% of the entrepreneurship group students had created their own companies after they graduated in 15 years, and this figure was much higher than the start-up rate of 26% of those who did not receive the entrepreneurship education course. This is further supported by the longitudinal study of Henry et al. (2004), who found that entrepreneurship education significantly increases the start-up rate. The authors investigated the start-up rate after

the participants completed the entrepreneurship program/course more than 3 years and they found that the start-up rate of those who received entrepreneurship education was 35% which was much higher than that of the control group (17%).

Levie and Autio (2008) argued that entrepreneurship education is a good means to encourage entrepreneurship. The authors used 7 years for GEM (Global Entrepreneurship Monitor) data consisting of 232 year-country observations in 54 countries and showed that entrepreneurship education significantly impacts entrepreneurial activities and improves actual and potential entrepreneurial activities. The study of the Fox and Pennington (2009) also showed that entrepreneurship education has a positive impact on economic development through business startups that create additional jobs and revenues. In their study, 35% of 142 students started their own businesses after completing an entrepreneurship course and the average number of years that the business survived was 3.54 years. For those who did not start up, about 50% of them had a strong intention toward entrepreneurship.

The increasingly popular entrepreneurial behavior has evoked a demand for better entrepreneurial skills and abilities for dealing with risks and uncertainties. Innovation, creativity, self-confidence, risk-taking, readiness for change, and solving problems in different ways have become more and more important to tackle the dynamic economic, social, and political challenges. All these attributes are indeed related to entrepreneurship. Therefore, the need for entrepreneurship education has never been greater.

Entrepreneurship education is expected to promote entrepreneurship by advancing cognitive abilities required for business opportunity exploitation and new business creation (DeTienne & Chandler, 2004; Honig, 2004). Through exposing students to the experiences of identifying and pursuing a business opportunity, the students can learn and internalize the theories and techniques needed for start up. According to these cognitive effects, entrepreneurship education should enhance opportunity discovery or identification (Parker, 2006). Further entrepreneurship

education can also enhance entrepreneurship through the cultural effect on students' attitudes and intentions (Peterman & Kennedy, 2003).

Students who are exposed to entrepreneurship education are expected to develop "entrepreneurial attitudes and intention—designed to get students to start their own business" (Nelson & Mburugu, 1991). Hartshorn (2001) argued that through learning about entrepreneurship, every student has the opportunity to be entrepreneurial. Different individuals possess different capabilities and attributes for performing entrepreneurial activities. It is important to provide students from different disciplines (e.g., business, engineering, arts, and etc.) chances to learn entrepreneurship.

The past two decades have witnessed significant growth in entrepreneurship education in most industrialized countries (Matlay & Carey, 2006). The number of entrepreneurship courses increased in the US tenfold in the period from 1979 to 2001 (Katz, 2008) and investment in entrepreneurship programs is still on the increase (Gwynne, 2008). The growth "can be seen as indicative of widespread governmental belief in the positive impact that entrepreneurship can have on the socioeconomic and political infrastructure of a nation" (Matlay, 2008: 382). Public policy makers recognize the importance of entrepreneurship as a promoter of economic development and hence support instruments like entrepreneurship education to increase entrepreneurial activity (Fayolle, Gailly, & Lassas-Clerc, 2006).

The European Commission, for example, endorses such support, noting that the "primary purpose of entrepreneurship education at higher education level is to develop entrepreneurial capacities and mindsets" (European Commission, 2008: 11) and recommends integrating entrepreneurship more fully into university curricula. The final report of the European Commission Expert Group for Entrepreneurship Education underlines that the "important role of education in promoting more entrepreneurial attitudes and behaviors,..., is widely recognized" (European Commission, 2008: 10). These examples provide evidence of the widespread belief in a positive impact of entrepreneurship education. By offering new entrepreneurship education programs, the

initiators follow "conventional wisdom" (Souitaris, Zerbinati, & Al-Laham, 2007: 566): If you want to become an entrepreneur, you need to learn "how" first.

Out of 41 studies analyzing the impact of entrepreneurship education, 39 indicated a positive or mixed result (Lorz, Müller, & Volery, 2011). Only recently did two studies find a negative impact of entrepreneurship education (Oosterbeek, van Praag, & Ijsselstein, 2010; von Graevenitz, Harhoff, & Weber, 2010). At second glance, it appeared that most studies that had reported a positive impact of entrepreneurship education had significant methodological deficiencies, which strongly limited the validity of the results. Most of the studies are ex-post examinations that do not measure the direct impact of an entrepreneurship education program (covered & Moen, 1997; Menzies & Paradi, 2002; Menzies & Paradi, 2003; Noel, 2001) or do not utilize control groups (Kruzic & Pavic, 2010; Lee, Chang, & Lim, 2005) or have small samples (Clouse, 1990; Fayolle et al., 2006; Jones, Jones, Packham, & Miller, 2008).

If one filters the impact studies by counting only studies utilizing an ex-ante, ex-post design with control groups and a sample size of $n > 100$, then only four studies are left (Lorz et al., 2011): One study reporting positive results (Peterman et al., 2003), to reporting mixed or insignificant results (Olomi & Sinyamule, 2009; Souitaris et al., 2007) and one reporting significant negative results (Oosterbeek et al., 2010). The overly positive picture is hence turned upside down and there is evidence of only a few studies with robust research designs. It thus comes as no surprise that many authors have called for more research into the impact of entrepreneurship education, especially with more robust research designs: Peterman et al. (2003: 130) state that although authors have acknowledged the positive effect of entrepreneurship education, "there has been little rigorous research on its effects".

In their review of entrepreneurship education, Pittaway & Cope (2007) found that the link between entrepreneurship education and outcomes is under-researched (Pittaway & Cope, 2007). Fayolle (2006: 766) notes that "there is a lack of research regarding the outcomes of entrepreneurship education". Oosterbeek et al. (2010) call for more research

into the different variants of entrepreneurship education programs, and von Graevenitz et al. (2010) state that "little is known at this point about the effect of these entrepreneurship courses" (von Graevenitz et al., 2010: 103) If we consider the situation of research on the outcomes of entrepreneurship education at this point, we note that, on the one hand, there is a continuous effort to expand entrepreneurship education program offerings. On the other hand, there is a lack of rigor in past research studies and ambiguous results regarding the impact of entrepreneurship education. Given this situation, it is of theoretical and practical relevance to research the impact of entrepreneurship education. Therefore, this dissertation study will deal with the impact of entrepreneurship education, and research questions are formulated accordingly.

1.2 Problem Statement

Entrepreneurship education is challenged in the literature. Vesper and Gartner (1997) argued that "the evolution of entrepreneurship programs in colleges and universities is still in its infancy" (p. 420). Little is known about why people create new business (Reynolds, 1995) or, whether or how we can educate people to be entrepreneurs (Fiet, 2001a; 2001b).

In recent years, the graduate employment problem has been a major issue in Malaysia. With the increasing number of higher education institutions, each year has witnessed a phenomenal increase in the number of graduates from both public and private higher education institutions. As a result, it is very certain that a large number of graduates will seek jobs and, without doubt, not all will be successful. In view of this, education institutions in Malaysia need to nurture the development of entrepreneurial skills among their students. Early exposure in entrepreneurial studies is an essential consideration in developing successful entrepreneurs. This is because entrepreneurship has been considered as the panacea to the unemployment problem. In other words, human development is the vital agenda in Malaysia, as stated in the Tenth Malaysian Plan (2011-2015).

1.3 Research Question

1.3.1 Is there any relationship between entrepreneurship education component on students' entrepreneurial intention?

1.3.2 What is the component of entrepreneurship education that is more affecting students' entrepreneurial intention?

1.4 Research Objectives

1.4.1 To identify the relationship between entrepreneurship education component on students' entrepreneurial intention.

1.4.2 To determine which entrepreneurship education component that is more affecting student' entrepreneurial intention.

1.5 Hypothesis

Hypothesis 1

H₀ : There is no relationship between entrepreneurship education components on students' entrepreneurial intention.

H₁ : There is a relationship between entrepreneurship education components on students' entrepreneurial intention

Hypothesis 2

H₀ : There is no entrepreneurship education component that are more affecting students' entrepreneurial intention.

H₁ : There is a entrepreneurship education component that are more affecting students' entrepreneurial intention.

1.6 Scope Of Study

For this scope of study, there were 200 students of that take the business subject from UTeM involved in this study. They are from year 4 degree students which are the final year student from FPTT faculty. This study concerns the entrepreneurial intention of students based on the entrepreneurship education component. This study focuses on how the entrepreneurial intention of students is formed during entrepreneurship education. Therefore, the ultimate dependent variable of this study is entrepreneurial intention, not actual entrepreneurial behavior. The rationale of this assumption is based on the following reasons.

Entrepreneurial intention is the best predictor of entrepreneurial behavior. In social science, the findings of various studies have shown that a person's intention to perform a behavior is the most important determinant of that action (ref: examples in Ajzen (2005)). In psychology literature, psychologists have proved that the intention is essential to understand a behavior and it is the best predictor of planed behavior (Ajzen, 1991; 2005; Bird, 1988). As a general rule, the stronger the intentions, the more powerful the intentions are predicting a behavior (Ajzen, 1991). In entrepreneurship research, intention toward entrepreneurship has also been recognized as an antecedent of entrepreneurship (Krueger & Brazeal, 1994; Krueger et al., 2000). Entrepreneurial

intention precedes the engagement in entrepreneurial activities, such as identifying and exploiting a business opportunity (Krueger & Carsrud, 1993). It is “evident that much of what we consider entrepreneurial activity is intentionally planned behavior” (Krueger et al., 2000, p. 413).

1.7 Significant Of Study

The purpose of this research is conducted to see the impact of entrepreneurship education on student’s entrepreneurial intention. These studies are significant to certain parties that involved and having benefits from it.

1.7.1 Researcher

By conducting this research, it gives a lot of experience and opportunity to the researcher to explore more information on problem-solving that are involved in this study. This research measures the ability of the researcher to identify the impact of entrepreneurship education on student’s entrepreneurial intention. Henceforth, researcher will know what are the impact of entrepreneurship education on student’s entrepreneurial intention. Other than that, researcher also learns on how to choose an appropriate method on conducting problems.

1.7.2 Organization

Organization that involved in this research is University Teknikal Malaysia Melaka (UTeM) where the students of business study will be the sample of this research.