

# Understanding the Factors That Inhibit the Success of Indigenous Entrepreneurs in Malaysia

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**Abstract:** This study aims to identify the factors that inhibit the success of indigenous entrepreneurs. The instrument in this quantitative study was a questionnaire that consisted of 54 items with Likert Scale 5. The respondents of this study were 377 indigenous youth entrepreneurs, who were selected by random sampling. Statistical Package for the Social Sciences (SPSS) program version 21 used to analyze data based on frequency, percentage, and linear regression. The results show that there are nine (9) main factors that inhibit the success of indigenous entrepreneurs in Malaysia. Factors that inhibit indigenous from becoming successful entrepreneurs include being lacking financial capital, experience, knowledge in information technology and business strategy, entrepreneurial information, management skills, networking skills, difficulty in finding skilled workers, and complicated financial loan bureaucracy. Factors that inhibit the success of indigenous entrepreneurs classify into two categories. The findings of this study showed that the intrinsic and extrinsic factors had a significant influence on the motivation of Malaysian indigenous youth in entrepreneurship development. Therefore, entrepreneurship and information technology courses are necessary to improve the knowledge and skills of indigenous in Malaysia. However, on the whole, it was found that the bureaucracy of complicated financial lending had become the dominant factor that inhibits the success of indigenous entrepreneurs in Malaysia.

**Keywords:** indigenous youth, barrier factor, successful entrepreneur, entrepreneurship.

## I. INTRODUCTION

Malaysia aspires to be a developed country, so the government encourages people to be entrepreneurs. Entrepreneurship is a key driver in the economic development of a country [1]. The Malaysian Government encourages youth to make entrepreneurship as a career option. Entrepreneurship is essential for economic development because it does not only increase the national income but also involves changes in the economic activity of a society [2]. This is because entrepreneurship is one of the important aspects of economic growth. Entrepreneurship can encourage the citizens of a country to be more independent with their own business or become entrepreneurs [3]. Entrepreneurship refers to an approach used by entrepreneurs to earn wealth [4]. Entrepreneurship is the process of creating something new which takes time to bear the financial risks and social risks that accompany and efforts to obtain satisfaction, personal freedom and receive generated financial rewards [5, 6]. Therefore, entrepreneurship means the ability and attitude of entrepreneurs in carrying out activities to find new methods,

applying technology, improve the quality of services, or create new products to achieve greater profits.

Most people consider a career as an entrepreneur to be a trader only [7]. This opinion is not entirely true because an entrepreneurial activity is not just about buying and selling. Traders are always synonymous with entrepreneurs, but not all traders are entrepreneurs. Entrepreneurs are individuals who combine all their skills to work in one team to achieve their goals, success, and profitability for the benefit of themselves and society as well as become indirectly responsible for the economic development of a country [8]. Therefore, the entrepreneur will be more successful with more knowledge and skills. The government has focused on the entrepreneurial agenda to create more entrepreneurial groups among Malaysians. Malaysia has given priority in developing human capital and enhancing indigenous youth skills through the Skills Training and Career Program [9]. Indirectly acquired skills will introduce a new dimension to the public and indigenous entrepreneurship based on skills that are acquired through attending skill courses [9]. This is because the skills possessed by an individual can improve his competency to develop a specific career [10,11].

The growth and development of the country have focused on all people regardless of race, ethnicity, socio-economic status, and geographic location [12]. Indigenous people classify into some criteria, such as language, culture, way of life, and physical characteristics [13]. Based on these criteria, indigenous people classify into three main groups according to the ethnic group, namely Negrito, Senoi, and Proto Malay [9]. The majority of indigenous people are still having low-income [14, 15]. Therefore, the strategy should be implemented through economic capacity building in helping poor indigenous people to make changes, either through the development of human capital, organization, or institution [16]. Backwardness and poverty are identified as the main challenges faced by the government in its efforts to effectively develop the indigenous communities [9]. The indigenous people were unable to move with the changes and rapid development [17]. The population of indigenous people was 222,462 people or 0.7 % of the total of Malaysia's population in 2016 [9].

The entrepreneurial activities by indigenous youth entrepreneurs were hotel and tourism, field service, food and beverage, automotive, oil and gas, electrical engineering,

beauty and hairdressing, construction, agriculture and retailing [9]. Although the training and careers have been executed, the number of entrepreneurs among indigenous people is still low at 595 people or 0.26% as compared to the total population of the indigenous people in Malaysia, which is 222.462 people. Therefore, this study was conducted to identify in detail the factors that inhibit the success of indigenous entrepreneurs who are concerned with the entrepreneurial development among indigenous youth in Malaysia. Based on the description above, the objectives of this study are:

- i. To investigate the dominant factors that inhibits the success of indigenous entrepreneurs.
- ii. To identify the influence of intrinsic factors that inhibits the success of indigenous entrepreneurs.
- iii. To identify the influence of extrinsic factors that inhibits the success of indigenous entrepreneurs.

## II. ENTREPRENEURSHIP

Entrepreneurship can be conducted independently or in groups [18]. According to partnership law, single ownership means an entrepreneurial organization owned by an individual, while an entrepreneurial partnership owned by at least two individuals and no more than 20 owners [19]. Besides, private limited companies are owned by at least two individuals and no more than 50 owners, while public limited companies are owned by two or more shareholders [19]. Therefore, it is hoped that the diversity in entrepreneurship could be something that can attract the desire of every individual who wants to be independent and has a passion for the work himself. In general, these can contribute to the publication of new employment opportunities for the community. [20] suggested that the main industry groups have new successful businesses, namely retail, services, finance and insurance, construction, transport, and manufacturing companies. Retail businesses get items for sale to customers by buying directly from the manufacturer or distributor. Grocery stores are stores that sell daily necessities such as household items, and natural food. Besides, the wholesale business acquires products from the product manufacturer and sells it to the retailer or consumer.

The range of services is a small part of entrepreneurship that can grow and develop rapidly. Besides, the service industry offered higher returns following the allotted time. Examples of service industries include vehicle rental agencies, marriage counselors, software companies, consultants, and accounting. Many construction companies have started with a skilled workforce, who have previously worked for others and then decided to work on their own. Examples include home construction, plumbing, roofing, carpenters, and electrical installers. In many cases, entrepreneurship related to finance and insurance, usually selling products supplied by larger national companies, such as savings, loans in local and mortgage companies. Besides, in entrepreneurship related to transportation, for example, airplane rental service companies, bus companies, and local taxi companies. Meanwhile, the

production company is usually owned by large companies because an investment in production usually requires equipment, energy, and raw materials, and a large amount of money. A trader is not necessarily an entrepreneur. The purpose of the trader is to conduct business as an activity to make a profit only. However, entrepreneurs are also traders because entrepreneurs also aim to make a profit. But apart from the profit factor, an entrepreneur has a goal to achieve satisfaction and success [21]. Entrepreneurs see problems not as a barrier to achieve success, but as a challenge that must be solved problems that arise as new ideas for creating an entrepreneurial opportunity that can profit and succeed. Entrepreneurs have high requirements to achieve a target and attempt to resolve obstacles that arise [22]. In this study, factors that inhibit the success of indigenous entrepreneurs are classified into two categories, namely intrinsic and extrinsic factors.

## III. METHODOLOGY

This research has a quantitative study design. Data analysis using frequency, percentage, and regression linear analyses through SPSS program Version 21 used to identify the factors that inhibit the success of indigenous entrepreneurs to entrepreneurial development of indigenous youth in Malaysia. A population is a group of studied objects, while the sample is part of the population. The sample was selected by random sampling, whereby each indigenous youth entrepreneur has an equal opportunity to be a respondent. The population of this study consisted of 595 indigenous youth entrepreneurs in Malaysia. However, in this study, the questionnaires were distributed to 380 [23] indigenous youth entrepreneurs in Malaysia. The questionnaires were valid and completed by only 377 respondents. This research survey used a questionnaire that consisted of 54 items by using Likert Scale 5 containing questions about entrepreneurial development factors that inhibit the success of indigenous entrepreneurs and questions on motivation. The questionnaire had a set of consistent questions so that the same questions could be given to respondents. The questionnaires were distributed to four (4) experts in entrepreneurship and indigenous people to identify the validity of content and language. A pilot study was conducted to obtain the reliability of the instrument. The questionnaire had consistent reliability with a Cronbach's Alpha value of at least 0.7 [24].

Table: I Pilot Study

No.	Criteria	Item	Cronbach's Alpha Value
1.	Lack of experience	1 - 4	0.853
2.	Lack of knowledge about business strategy	5 - 9	0.871
3.	Lack of entrepreneurial information	10 - 13	0.825
4.	Lack of management skills	14 - 17	0.892
5.	Lack of knowledge about the information technology	18 - 22	0.869
6.	Lack of financial capital	23 - 26	0.821

7.	The bureaucracy of financial lending complicated	27 - 31	0.857
8.	Difficulty finding skilled workers	32 - 35	0.834
9.	Lack of networking skills	36 - 39	0.891
10.	Motivation	40-54	0.882

This study instrument consisted of 54 items with Likert Scale 5. The results of a pilot study conducted on 33 indigenous youth entrepreneurs showed that the Cronbach's Alpha value for the whole item was greater than 0.7, indicating that the 54 items in this instrument were valid and reliable for obtaining the research data.

#### IV. FINDINGS AND DISCUSSIONS

##### A. *The dominant factors that inhibit the success of indigenous entrepreneurs*

The respondents of this study were 377 indigenous youth entrepreneurs in Malaysia, consisting of various races, namely the Negrito, Senoi, and Malay Proto. Respondents were selected by random sampling. Data analysis was carried out by using frequency, percentage, and regression linear analyses by using SPSS program Version 21. The study respondents had businesses, such as retail, food and drink, crafts, beauty and hairdressing services, workshops, farms, and agriculture. The questionnaires were personally and directly distributed to ensure that the indigenous youth entrepreneurs understand and answer the questionnaire accurately. However, the findings of this study depended on the transparency of respondents in answering the questions.

Table 2 : The Dominant Factors That Inhibit The Success Of Indigenous Entrepreneurs.

No.	Factors that inhibit the success of indigenous entrepreneurs to Entrepreneurial Development	Frequency	Percentage
	Intrinsic		
1.	Lack of experience	27	7.2
2.	Lack of knowledge about business strategy	49	12.9
3.	Lack of entrepreneurial information	43	11.4
4.	Lack of management skills	25	6.6
5.	Lack of knowledge about information technology	55	14.6
	Total	199	52.8
	Extrinsic		
7.	Lack of financial capital	54	14.3
8.	The bureaucracy of financial lending complicated	57	15.1
9.	Difficulty finding skilled workers	30	7.9
10.	Lack of networking skills	37	9.8
	Total	178	47.2

Based on the data analysis, the study found that intrinsic barrier (52.8%) was the dominant factors that inhibit the

success of indigenous entrepreneurs. The study results supported the findings by [25] who stated that the entrepreneur were running things in their respective fields based on their own efforts, with the willingness to take risks in decisions-making. Therefore, this indicated that the intrinsic barrier was the dominant factors because all decisions were taken by the entrepreneur himself in regard to their entrepreneurial activities. It can be concluded that if an indigenous entrepreneur does not improve their quality in developing entrepreneurship it can indirectly affect the business. Furthermore, entrepreneurship is a skill and perception which stems from the intuition of an individual [26]. This is because an entrepreneur will learn some concepts through direct experience [27,28]. Therefore, this study found that the intrinsic barrier should be given more attention by the entrepreneurs, especially indigenous entrepreneurs. Intrinsic factors that inhibit the success of indigenous entrepreneurs include factors, such as lack of knowledge in information technology (14.6%), lack of knowledge in business strategy (12.9%), lack of entrepreneurial information (11.4%), lack of experience (7.2%) and lack of management skills (6.6%). Overall, the bureaucracy of complicated financial lending (15.1%) has become a dominant barrier to entrepreneurial development of indigenous youth in Malaysia.

##### B. *The influence of intrinsic factors that inhibit the success of indigenous entrepreneurs*

The intrinsic barrier consists of five main factors, which were lack of experience, lack of knowledge in business strategy, lack of entrepreneurial information, lack of management skills and lack of knowledge in information technology. The regression linear analysis was used to identify the influence of intrinsic factors that inhibit the success of indigenous entrepreneurs in developing entrepreneurship.

Table 3. The Influence Of Intrinsic Factors That Inhibit The Success Of Indigenous Entrepreneurs

	Sum of Squares	df	Mean Square	F	Sig.
Regression	13.920	1	13.920	25.484	0.000 <sup>a</sup>
Residual	204.838	375	0.546		
Total	218.759	376			

Based on Table 3 it was found that the value of significant was 0.000, which was smaller than 0.05. The study findings showed that the intrinsic barrier have a significant influence on Malaysian indigenous youth motivation. This means that lack of experience, lack of knowledge in business strategy, lack of entrepreneurial information, lack of management skills and lack of knowledge in information technology have a significant influence on Malaysian indigenous youth motivation in developing entrepreneurship. Based on these findings, we concluded that the intrinsic barrier that influence the Malaysian indigenous youth motivation. Therefore, if this is not enhanced it can affect their motivation, for example, by

increasing their knowledge through entrepreneurship trainings, and courses in information technology. The results of this study are in line with the findings of [29] who found that lack in management skills and experience were factors that can contribute to entrepreneurship failure. However, there are differences in categorizing factors that inhibit the success of indigenous entrepreneurs to entrepreneurial development, since the lack of management skills and experience in a study by [29] categorized it as an extrinsic barrier. In this study, lack of management skills and experience were categorized as intrinsic factors that inhibit the success of indigenous entrepreneurs because it was thought that intrinsic barrier is a factor that comes from entrepreneurs themselves and can be enhanced through knowledge or skill, whereas the extrinsic barrier is a factor that comes from outside the entrepreneur.

### C. The influence of extrinsic factors that inhibit the success of indigenous entrepreneurs

The extrinsic factors that inhibit the success of indigenous entrepreneurs consists of lack of financial capital, the bureaucracy of complicated financial lending, difficulty in finding skilled workers and lack of networking skills. In this study, regression linear analysis was used to identify the influence of extrinsic factors that inhibit the success of indigenous entrepreneurs in developing entrepreneurship.

Table 4. The Influence of Extrinsic Factors That Inhibit The Success Of Indigenous Entrepreneurs

Sum of Squares		df	Mean Square	F	Sig.
Regression	30.216	1	30.216	60.098	0.000 <sup>a</sup>
Residual	188.543	375	0.503		
Total	218.759	376			

Entrepreneurial activity can be a catalyst for the development of various types of industries related to the production of products or services. Based on Table 4 it was found that the value of significant was 0.000, which was less than 0.05. This study found that there was a significant influence on Malaysian indigenous youth motivation in developing entrepreneurship. The Malaysian Government aims to make entrepreneurship as a major contributor to new employment opportunities and reduce unemployment [30, 31]. To achieve that goal, the Malaysian government has undertaken various efforts and facilities to support and encourage the citizen to become entrepreneurs. Accordingly, based on the study findings it was concluded that there was a significant influence by lack of financial capital, the bureaucracy of complicated financial lending, difficulty in finding skilled workers and lack of networking skills on Malaysian indigenous youth motivation in developing entrepreneurship. These results can be a reference for related parties to enhance the existing facilities which are mainly related to financial assistance and the latest information to facilitate the indigenous youth entrepreneurs expand and develop their

businesses.

## V. CONCLUSION

Entrepreneurship is an area that covers the whole entrepreneur's actions in carrying out a business venture. Entrepreneurship is a field that can encourage citizens of a country to be more independent with their own business or become entrepreneurs. This has led to the emergence of new ventures which will indirectly boost development and economic growth. Besides, entrepreneurship is creating jobs for entrepreneurs themselves or people around them and the impact on unemployment reduction. The findings of this study showed that the bureaucracy of complicated financial lending, lack of knowledge in information technology, lack of financial capital, lack of knowledge in business strategy, lack of entrepreneurial information, lack of networking skills, difficulty in finding skilled workers, lack of experience and lack of management skills had a significant influence on the Malaysian indigenous youth motivation in developing entrepreneurship. However, on the whole, it was found that the bureaucracy of complicated financial lending has become a dominant barrier to entrepreneurial development of indigenous youth in Malaysia. Based on this finding, it is hoped that the relevant parties would provide more facilities in methods or regulations for indigenous youth entrepreneurs to obtain financial assistance or additional capital to develop their business. Suggestions for further research are proposed to explore indigenous entrepreneurship models in Malaysia through entrepreneurship skills training.

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