

**EFFECT OF ENTREPRENEURSHIP
TRAINING AND ENTREPRENEURSHIP
ORIENTATION ON BUSINESS
PERFORMANCE OF ASNAFPRENEUR**

ABD RANI BIN LEBAI JAAFAR

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ENTREPRENEURSHIP ORIENTATION ON BUSINESS PERFORMANCE
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ABSTRACT

The business landscape has always been dynamic, challenging entrepreneurs to adapt and innovate in order to sustain and enhance performance. Despite the growing body of literature on entrepreneurship training and orientation, empirical evidence on their combined influence on business performance, particularly among 'asnafpreneurs,' is scant. This study aims to bridge this gap by investigating the impact of entrepreneurship training and entrepreneurship orientation on the business performance of selected asnafpreneurs. Utilizing a quantitative research approach, data were collected from 100 'asnafpreneurs' through structured questionnaires. Multiple regression analysis was employed to analyze the relationships among the variables. The study's independent variables were entrepreneurship training and entrepreneurship orientation, while the dependent variable was business performance. The results indicate a significant positive relationship between entrepreneurship training and business performance. Additionally, entrepreneurship orientation was also found to contribute positively to business performance. These findings suggest that both training and orientation are critical factors that can significantly improve the performance metrics of businesses led by asnafpreneurs. This research provides valuable insights for policymakers, academicians, and practitioners interested in enhancing entrepreneurial success rates, particularly in the asnafpreneur sector. Future research could explore these relationships across different contexts and business types to offer a more comprehensive understanding of these dynamics.

Keywords: Entrepreneurship training, entrepreneurship orientation, business performance.

APPROVAL

This is to certify that this thesis conforms to acceptable standards of scholarly presentation and is fully adequate, in quality and scope, for the fulfilment of the requirements for the degree of Doctor of Business Administration

The student has been supervised by: **Professor Dr. Juhary Ali**

The thesis has been examined and endorsed by:

Associate Professor Dr Ahmad Sabri Bin Yusuff
Professor
President College
Examiner 1

Dr Zukimie Mat Junoh
Senior Lecturer
Universiti Malaysia Perlis
Examiner 2

This thesis was submitted to Asia e University and is accepted as fulfilment of the requirements for the degree of Doctor of Administration.



Dr. Khairul Nizam Mahmud
Asia e University
Chairman, Examination Committee
25 August 2023

DECLARATION

I hereby declare that the thesis submitted in fulfilment of the PhD degree is my own work and that all contributions from any other persons or sources are properly and duly cited. I further declare that the material has not been submitted either in whole or in part, for a degree at this or any other university. In making this declaration, I understand and acknowledge any breaches in this declaration constitute academic misconduct, which may result in my expulsion from the programme and/or exclusion from the award of the degree.

Name: Abd Rani Bin Lebai Jaafar

Signature of Candidate:

Date: 25 August 2023

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TABLE OF CONTENTS

ABSTRACT	ii
APPROVAL	iii
DECLARATION	iv
ACKNOWLEDGEMENTS	vi
TABLE OF CONTENTS	viii
LIST OF TABLES	x
LIST OF FIGURES	xi
LIST OF ABBREVIATION	xii
CHAPTER 1 INTRODUCTION	1
1.0 Background of the Study	1
1.0.1 Entrepreneurship Development in Malaysia	2
1.1 Problem Statement	12
1.2 Research Questions	19
1.3 Research Objectives	19
1.4 Significant of the Study	20
1.5 Scope of the Study	21
1.6 Organization of the Chapters	24
CHAPTER 2 REVIEW OF LITERATURE	26
2.0 Introduction	26
2.1 Entrepreneurship in Malaysia	26
2.1.1 Asnaf-Preneur in Malaysia	29
2.2 Entrepreneurial Education and Training	30
2.2.1 Entrepreneurship Training for Asnaf-preneur	36
2.2.2 Types of Entrepreneurship Training	39
2.2.3 Asnaf Entrepreneurship Programs in Malaysia	41
2.3 Bank Rakyat Asnafpreneur Programs	45
2.3.1 Rakyat-Preneur 2.0	45
2.3.2 UNIPreneur	48
2.4 Underpinning Theory	52
2.4.1 Resource-Based Entrepreneurship Theories	53
2.5 Previous Studies on Entrepreneurial Performance	55
2.5.1 Entrepreneurial Characteristics	60
2.6 Performance of Asnafpreneur	64
2.6.1 Business Performance of Asnafpreneur	66
2.6.2 Financial Performance	67
2.6.3 Non-Financial Performance	69
2.7 Entrepreneurship Training Program	71
2.7.1 Leadership Training for Entrepreneur	73
2.7.2 Management Skill	77
2.7.3 Networking Skills	80
2.8 Entrepreneurship Orientation	84
2.8.1 Product Innovation	87
2.8.2 Risk Taking	89
2.8.3 Competitive aggressiveness	92
2.9 Conceptual Framework	95

2.10	Hypotheses Development	98
CHAPTER 3	METHODOLOGY	101
3.0	Introduction	101
3.1	Research Philosophy	102
3.2	Research Strategy	104
3.3	Population and Sample	106
	3.3.1 Sampling Technique: Systematic Sampling	107
3.4	Field of Study	110
3.5	Data Collection Procedure	111
3.6	Measurement	112
	3.6.1 Operational of Variables	114
3.7	Reliability and Validity	119
3.8	Data Analysis	120
3.9	Summary	123
CHAPTER 4	RESULTS AND DISCUSSION	124
4.0	Introduction	124
4.1	Profile of Respondents	124
4.2	Profile of the Enterprise	127
4.3	Preliminary Result	128
	4.3.1 Data Reliability	128
	4.3.2 Relationship among Research Variables	139
4.4	Regressions between Entrepreneurship Training and EntrepreneurshipOrientation to the Asnafreneur Performance	139
CHAPTER 5	CONCLUSION, IMPLICATION AND RECOMMENDATIONS	141
5.0	Introduction	141
5.1	Summary of Study Findings	141
	5.1.1 University Students who Participate in Unipreneur Program	148
5.2	Discussions	151
5.3	Managerial Implication	152
5.4	Theoretical Implication	155
5.5	Practical Application	159
5.6	Limitations and Suggestion for Future	162
5.7	Conclusion	166
	REFERENCES	171
	APPENDICES	176
	Appendix A	176
	Appendix B	193

LIST OF TABLES

Table	Page
3.1 Measurement of instrumentation	117
4.1 Gender of respondents	125
4.2 Education of respondents	126
4.3 Position held by the participant	126
4.4 Number of employees	127
4.5 Summary of reliability test	130
4.6 Cronbach Alpha result entrepreneurship training	130
4.7 Reliability test result entrepreneurship training	131
4.8 Cronbach Alpha result entrepreneurship orientation	133
4.9 Reliability result entrepreneurship orientation	134
4.10 Cronbarch Alpha result asnafpreneur performance	136
4.11 Reliability result entrepreneurship orientation	137
4.12 Correlations statistic between job satisfaction, motivation and employee performance	139
4.13 Multiple regressions of entrepreneurship training and entrepreneurship orientation to the asnafpreneur performance	140

LIST OF FIGURES

Figure		Page
1.1	Malaysia position on global entrepreneurship indices	5
2.1	NCER regional strategic framework	32
2.2	Overview of UNIprenneur	51
2.3	List of universities joining the UNIprenneur program	51
2.4	Monitoring process	52
2.5	Conceptual framework	97
3.1	Population of the study	107
4.1	Gender of respondents	125
4.2	Position of the respondents in the enterprise	127

LIST OF ABBREVIATION

ACCCIM	The Associated Chinese Chambers of Commerce and Industry of Malaysia
AEP	Asnaf Entrepreneurship Program
AEDP	Asnaf Entrepreneurship Development Program
ASEAN	Association of South East Asian
BP	Business Performance
BRM	Bank Rakyat Malaysia
BNM	Bank Negara Malaysia
CAP	Career Advance Programme
CENDANA	Cultural Economy Development Agency
DFIA	Development Financial Institutions Act
ET	Entrepreneurship Training
EO	Entrepreneurship Orientation
GCR	Global Competitiveness Report
GDP	Gross Domestic Product
GEI	Global Entrepreneurship Index
GII	Global Innovation Index
OECD	Organisation for Economic Co-operation and Development
MEDAC	Ministry of Entrepreneur Development and Cooperatives
MDEC	Malaysia Digital Economy Corporation
MYWiT	Mydigital workforce Work in Tech
NCER	Northern Corridor Economic Region
NEP	New Economic Policy
NPF	Non-Performing Financing

PROTEGE	Professional Training and Education for Growing Entrepreneurs
RBV	Resource Based View
SDGs	Sustainable Development Goals
SME	Small Medium Enterprise
SPN	National Apprenticeship Scheme
SPiM	Skim Pembiayaan Informal dan Mikro
SPUMI	Indian Community Entrepreneur Development Scheme
UiTM	University Technology MARA
UNDP	United Nations Development Programme
UNSDGs	United Nation Sustainable Development Goals
VBI	Value Based Intermediation
YAPEIM	Islamic Economic Development Foundation

CHAPTER 1

INTRODUCTION

1.0 Background of the Study

The role of entrepreneurship in driving economic growth cannot be overstated, as it spurs investment and employment opportunities, resulting in an increase in the country's GDP. Moreover, entrepreneurship plays a vital role in raising the socioeconomic standards by fostering innovation and providing economic opportunities across all levels of society (OECD,2017).

Most of government around the world are focusing on creating high potential entrepreneur by developing entrepreneur ecosystem. Changes in business landscape and technology requires entrepreneurs to have relevant skills to sustain in the in business, and governments are introducing entrepreneurship policy to accustom them with the changes (Bashir & Akhtar, 2017).

According to global analyses, various countries such as the United States of America, United Kingdom, Canada, Germany, Singapore, Thailand, Vietnam, Indonesia, and Malaysia have implemented entrepreneurship policies targeted at small and medium-sized enterprises (SMEs) and entrepreneurs, with a focus on mainstreaming the entrepreneurship agenda. Additionally, several countries have incorporated the entrepreneurship agenda into their macro policies, including short-term development plans, industrial policies, and innovation policies. These policies and plans typically identify the key challenges in entrepreneurship and aim to provide equal opportunities for all segments of society to participate in entrepreneurship (OECD ASEAN, 2017).

The entrepreneurship ecosystem in Malaysia is robust and has seen continuous improvement from year to year. This is reflected in the country's position on various entrepreneurship global indices such as the Global Entrepreneurship Index (GEI), Global Competitiveness Report (GCR), Global Innovation Index (GII) and Doing Business.

The United Nations Development Programme (UNDP) states that skilled entrepreneurs possess the capacity to nurture their human resources and leverage their creativity, innovation, and competitiveness to drive their business ventures. Governments and organizations support entrepreneurs in honing their skills and abilities through targeted initiatives (UNDP, 2014).

1.0.1 Entrepreneurship Development in Malaysia

Although the government rolled out the industry 4.0 strategy in 2018 to boost digital technology adoption amongst small and medium-sized enterprise (SME) manufacturers, the initiative saw modest participation. Data from the ministry of international trade and industry revealed a mere 849 businesses applied for the programme in 2019. A study conducted by the SME Association of Malaysia uncovered that 75% of SMEs made no efforts to digitise their operations in the same year. The report stressed the necessity for businesses to adapt and strive for holistic business process transformation, encompassing employee training and upskilling for enhanced technical capabilities, particularly as consumer behaviour shifts and competition escalates post the Covid-19 pandemic. Additionally, the report advised the government to foster collaboration among SMEs and stimulate public-private partnerships to assist smaller firms in making the required tech advancements.

Hence, the advancement of entrepreneurial endeavors in high-revenue sectors prompts an incline in entrepreneurship, including the engagement of women in these industries. Entrepreneurship is recognized as a critical factor in driving societal economic progress. Observations indicate that nations with a comparatively high ratio of entrepreneurs in their population tend to progress more rapidly, as entrepreneurs are identified as the engine of modern economies. This entrepreneurial spirit is often reflected in the creation of new markets, products, production and management methodologies, discovery of fresh resources, establishment of new enterprises, and even the evolution of new organizational structures.

Worldwide, entrepreneurship holds a crucial place in the social development of countries, particularly in emerging and transitional economies. Notably, SMEs are reported to generate up to 60% of total employment and contribute to 40% of the GDP in these developing economies. It has been highlighted that microenterprises are perceived as the most vibrant business entities. They are also frequently regarded as the principal driving force for economic growth and poverty alleviation by creating an abundance of job opportunities.

The Malaysian government has made considerable efforts to promote entrepreneurship, recognizing it as a key driver of the economy. The Eleventh Malaysia Plan (2016-2020), for instance, put a strong emphasis on enhancing the ecosystem for entrepreneurship and innovation. This plan aimed to create a supportive environment for entrepreneurs, including improving access to financing, reducing regulatory barriers, and offering entrepreneurship training and development programs (Economic Planning Unit, 2015).

A significant policy initiative in recent years is the establishment of the SME Corp, which serves as the central coordinating agency for SME development in

Malaysia. SME Corp provides various forms of assistance to entrepreneurs, including advisory services, access to financing, and entrepreneurship training programs (Yusuf & Schindehutte, 2000).

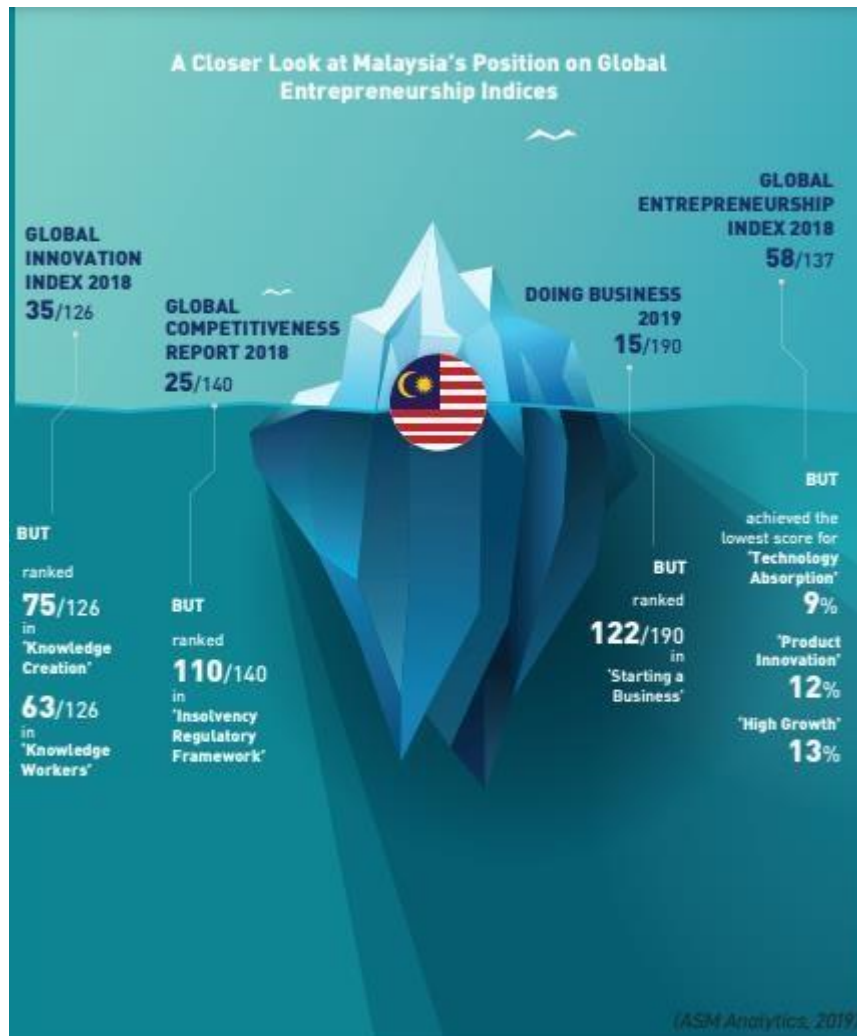
Furthermore, specific entrepreneurship programs have been implemented targeting certain groups, such as women, youth, and the 'asnaf' (those eligible to receive aid under the Zakat system). These programs aim to encourage entrepreneurship among these groups and help them acquire the necessary skills and resources to start and grow their businesses (Hashim, 2015). Entrepreneurship education has also been integrated into the formal education system. At the higher education level, Malaysian universities have introduced entrepreneurship courses and even dedicated entrepreneurship degrees. This development is in line with the government's aim to create a culture of entrepreneurship among the youth (Ahmad, Xavier, & Abu Bakar, 2018).

Despite these efforts, challenges remain in the development of entrepreneurship in Malaysia. These include a relatively low level of entrepreneurial orientation among the population, limited access to capital, and regulatory barriers. Further research is needed to better understand these challenges and develop effective strategies to address them (Mansor, 2012).

Poverty is a global issue that has disproportionately affected the Muslim community. In Malaysia, the poverty rate declined from 0.6% to 0.4% between 2014 and 2016, according to the Malaysian Statistics Department (2016). However, the income inequality gap has not kept pace with the real income of the poor, as noted by the Khazanah Research Institute (2018). A majority of Malaysians, as reported by the Pew Research Centre (2014), perceive the wealth gap as a major problem, with 77% expressing concern. In response, zakat plays a pivotal role in advancing the Muslim

economic system in all facets of the economy, education, regulation, and beyond. The objective of zakat is to promote socio-economic justice (Adnan & Bakar, 2009).

Figure 1.1: Malaysia position on global entrepreneurship indices



Sources: NEP (2020)

Globalization has had a profound impact on the business world, and the Fourth Industrial Revolution (IR 4.0) introduced by Thomas and Nicholas (2019) has intensified market competition by leveraging the internet and technology to enable online trading at competitive prices and quality. Consequently, new entrepreneurs face increased business risk to keep up with the competitive nature of the market. By

exposing their businesses to open competition and the international market, entrepreneurs are inherently taking on higher levels of risk.

Zakat is one of the Five Pillars of Islam that all financially able Muslims are obligated to fulfill by providing support to the underprivileged. The term "zakat" linguistically signifies cleansing or purifying something that is considered impure. In legal terms, zakat refers to the payment of a specified portion of surplus wealth to designated beneficiaries each year. There are eight categories of beneficiaries stipulated in the Glorious al-Quran, including the destitute, the poor, zakat workers (Amil), new Muslims (Mualaf), free slaves, the indebted, those in the path of Allah, and stranded travelers. According to Abu Bakar and Abdul Rashid (2010), zakat can be both productive and sustainable if poverty alleviation can be managed efficiently and effectively.

A good platform for zakat to become productive and sustainable, which gives the poor and needy an opportunity to engage in business until they can earn their own living independently and be self-sufficient (Mohamed, Mastuki, Yusuf, & Zakaria, 2018). Poor and needy entrepreneur is a microSME entrepreneur who plays a significant role in the contribution of the economic sectors.

The collection of Zakat, a form of almsgiving in Islam, can have a positive effect on the well-being and empowerment of Asnafpreneurs (entrepreneurs who are eligible to receive Zakat assistance). Here are some ways in which Zakat collection can impact Asnafpreneurs:

1. **Financial Support:** Zakat collection provides a significant source of funds that can be directed toward supporting Asnafpreneurs financially. This support can help them start or grow their businesses, invest in essential assets, or stabilize their financial situations.

2. **Poverty Alleviation:** Zakat aims to alleviate poverty and reduce economic disparities in society. Asnafpreneurs, who are often from economically disadvantaged backgrounds, can benefit from Zakat as it helps them meet their basic needs and build a sustainable livelihood.**Access to Capital:** Asnafpreneurs may face challenges in accessing conventional loans or capital due to their financial circumstances. Zakat funds can serve as an alternative source of interest-free or low-interest capital, enabling them to invest in their businesses.
3. **Skills Development:** Zakat organizations may provide training and skills development programs to Asnafpreneurs. These programs can equip them with essential entrepreneurial skills and knowledge, enhancing their chances of business success.
4. **Entrepreneurship Promotion:** Zakat collection can be used to promote entrepreneurship within the Asnaf community. This may involve organizing entrepreneurship workshops, mentoring programs, and business development initiatives tailored to the needs of Asnafpreneurs.
5. **Asset Acquisition:** Zakat funds can be utilized to help Asnafpreneurs acquire assets such as machinery, equipment, or inventory, which are essential for their businesses but may be financially out of reach for them otherwise.
6. **Interest-Free Financing:** Unlike conventional loans that often involve interest payments, Zakat funds are typically offered as interest-free financing. This aligns with Islamic principles and ensures that Asnafpreneurs do not incur additional financial burdens.
7. **Social and Economic Inclusion:** Zakat collection can contribute to the social and economic inclusion of Asnafpreneurs, enabling them to actively

participate in economic activities and improve their living standards.

8. **Community Development:** By supporting Asnafpreneurs, Zakat contributes to the overall development of the community. Successful Asnafpreneurs can create jobopportunities, stimulate economic growth, and inspire others within their communities.
9. **Financial Stability:** Zakat assistance can provide a safety net for Asnafpreneurs duringperiods of financial instability or economic downturns, helping them sustain their businesses during challenging times.

It's important to note that the impact of Zakat on Asnafpreneurs can vary based on the administration and distribution mechanisms of Zakat funds, as well as the specific needs and circumstances of the individual's receiving assistance. Effective management and transparentallocation of Zakat funds are essential to maximize the positive effects on Asnafpreneurs and promote sustainable economic empowerment within the community.

Zakat is one of the Five Pillars of Islam and is considered obligatory for Muslims who meet certain wealth criteria. It is primarily intended to assist those in need, including the Asnaf (eligible recipients of Zakat), and to promote economic equity and social welfare within the Islamic community. There are general points that provide insights into the potential relationshipbetween Asnafpreneur business performance and Zakat collection:

- 1) **Reduced Dependency:** Successful Asnafpreneurs who experience improved business performance may gradually reduce their dependency on Zakat assistance. As their financial situation stabilizes, they may no longer meet the eligibility criteria for Zakat recipients.

- 2) **Increased Giving:** Asnafpreneurs who achieve business success and financial stability may choose to give back to their communities by voluntarily contributing more to Zakat and other charitable causes. Their generosity can positively impact Zakat collection.
- 3) **Inspiration for Others:** Successful Asnafpreneurs can serve as role models within their communities. Their stories of entrepreneurship and financial success may inspire others to pursue economic independence and, in turn, contribute to Zakat collections as their wealth increases.
- 4) **Economic Upliftment:** Improved business performance among Asnafpreneurs can lead to economic upliftment within their communities. This, in the long term, may result in fewer people requiring Zakat assistance and potentially more individuals eligible to pay Zakat.
- 5) **Support for Zakat Programs:** Asnafpreneurs who have personally benefited from Zakat assistance may develop a strong sense of gratitude and commitment to supporting Zakat programs. They may actively participate in and contribute to Zakat collection efforts.
- 6) **Community Prosperity:** Overall prosperity within a community, driven by the business success of its members, can have a positive impact on Zakat collection. Wealthier community members may contribute more to Zakat funds, potentially leading to higher collections.

It's important to emphasize that the relationship between Asnafpreneur business performance and Zakat collection can vary based on numerous factors, including the specific circumstances of the individuals involved, the effectiveness of Zakat administration, cultural and social dynamics, and the economic context of the community.

According to the SME Annual Report (2018), Malaysia had a total of 907,065 SMEs in 2018, of which micro-enterprises accounted for 2.3% or 20,612 enterprises. Despite their significant contribution to the economy, micro-entrepreneurs face several challenges in accessing capital. Thus, zakat plays a vital role in supporting the welfare of the needy by providing capital for them to generate income through business opportunities, enabling them to pay zakat and support their families.

The Asnaf Entrepreneurship Programme (AEP) is a zakat-based entrepreneurship programme designed to help the poor and needy become entrepreneurs and improve their social and economic lives (Mujitaba et al., 2022). This programme is distinct from other entrepreneurship programmes in that it utilizes zakat funds as a source of capital to assist the underprivileged in starting their own businesses. The zakat institution has implemented various programmes to support entrepreneurship, with the AEP being a vital component in providing economic opportunities to the less fortunate.

Zakat, one of the Five Pillars of Islam, plays an essential role in supporting social welfare and economic development in Muslim-majority countries, including Malaysia. Within the context of entrepreneurship, zakat contributions serve as a unique source of financial and social capital for asnafpreneurs—entrepreneurs who belong to economically disadvantaged groups, as defined by Islamic jurisprudence. Zakat funds are used to support various entrepreneurial initiatives aimed at uplifting asnaf individuals, making them financially independent and capable of contributing to the economy.

One of the significant aspects of zakat-based entrepreneurship programs for asnaf is the provision of seed capital. Unlike conventional loans, this capital does not require repayment and thus relieves the asnafpreneurs of the burden of debt, enabling