

**PERCEIVED BARRIERS TO BUSINESS START-UP,
ENTREPRENEURIAL OPPORTUNITY
RECOGNITION SKILLS AND DEMOGRAPHIC
FACTORS IN INFLUENCING ENTREPRENEURIAL
MOTIVATION FOR ONLINE BUSINESS START-UP
AMONG STUDENTS**



PERPUSTAKAAN
UNIVERSITI MALAYSIA SABAH

AHLEESCIA BINTI AKIAN

**SCHOOL OF BUSINESS, ECONOMICS AND
ACCOUNTANCY**

**UNIVERSITI MALAYSIA SABAH
2016**

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JUDUL KAJIAN: PERCEIVED BARRIERS TO BUSINESS START-UP, ENTREPRENEURIAL OPPORTUNITY
RECOGNITION SKILLS AND DEMOGRAPHIC FACTORS IN INFLUENCING ENTREPRENEURIAL
MOTIVATION FOR ONLINE BUSINESS START-UP AMONG STUDENTS

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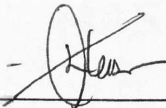
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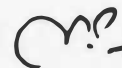
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AHLEESCIA BINTI AKIAN

PERPUSTAKAAN

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FOR THE DEGREE OF
MASTER OF BUSINESS ADMINISTRATION**

**SCHOOL OF BUSINESS, ECONOMICS AND
ACCOUNTANCY
UNIVERSITI MALAYSIA SABAH
2016**

DECLARATION

I hereby declare that the material in this thesis is my own except for quotations, excerpts, equations, summaries and references, which have been duly acknowledged.

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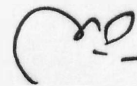
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ABSTRACT

Online business is the management of business system on the Internet. With online business becoming one of the medium for entrepreneurial activity, this will be crucial specially when the rate of unemployment among university graduates in Malaysia is high. However, the apprehension of going online by graduates is real. They appear to be lagging and afraid to venture into online retailing. Hence, this study examined the perceived barriers to business start-up, entrepreneurial opportunity recognition skills and demographic factors in influencing entrepreneurial motivation for online business start-up among students

Three hundred self-administered questionnaires were distributed to final year students (100% response rate) covering all the faculties in UMS main campus. The questionnaire consists of a section on demographic profiles and three sections on entrepreneurial motivation, opportunity recognition and perceived entrepreneurial barrier where answers was based on 5-point Likert scale. Data analysis was done using the structural equation modeling (SEM) technique utilizing Smart Partial Least Squares (PLS) statistical software.

The study found significant positive relationship between the perceived entrepreneurial barrier on online business startup and entrepreneurial motivation ($\beta=0.2131$, T-statistic=3.9914, $P<0.01$) and a positive and significant linear relationship between the prior knowledge on online business startup and entrepreneurial motivation of students ($\beta=0.2440$, T-statistic=3.8899, $P<0.01$).

One possible explanation to the higher score on the perceived barrier and entrepreneurial motivation is that in most circumstances people who knows about online business will also aware of the opportunities and rewards the business can provide. These rewards outweigh how their thinks of its barriers. One aspect of opportunity recognition is 'prior knowledge' which is the way they see new angles, new possibilities, and new ways to do things and this study revealed that prior knowledge enables students of 'connecting the dots' in identification of new opportunities.

ABSTRAK

Persepsi terhadap Kekangan dalam memulakan perniagaan, Kemahiran Pengenalpastian Peluang Keusahawanan dan Motivasi untuk menceburi bidang keusahawanan.

Kajian ini menyelidik persepsi terhadap kekangan, kemahiran pengenalpastian peluang keusahawanan dan motivasi untuk menceburi bidang keusahawanan atas talian.

Sebanyak tiga ratus borang kaji selidik telah diedarkan kepada pelajar tahun akhir Universiti Malaysia Sabah (100% kadar respon) yang meliputi 10 fakulti pengajian. Borang tersebut meliputi profil demografik, persepsi kekangan terhadap memulakan perniagaan atas talian, kemahiran pengenalpastian peluang keusahawanan dan motivasi untuk menceburi bidang keusahawanan. Jawapan adalah berdasarkan 5 poin Skala Likert dan data dianalisis menggunakan teknik structural equation modeling (SEM) dengan perisian statistik Smart Partial Least Squares (PLS)

Hasil kajian mendapati terdapat signifikasi positif dan hubungan diantara persepsi terhadap kekangan untuk memulakan perniagaan atas talian dan motivasi untuk menceburi bidang keusahawanan atas talian ($\beta=0.2131$, T-statistic=3.9914, $P<0.01$) dan juga hubungan yang significant dan positif diantara pengetahuan asas dalam memulakan perniagaan atas talian dan motivasi untuk menceburi bidang keusahawanan atas talian ($\beta=0.2440$, T-statistic=3.8899, $P<0.01$).

Kesimpulannya, meskipun menyedari akan adanya kekangan terhadap bidang perniagaann atas talian, namun ianya tidak melunturkan semangat usahawan untuk menceburi bidang perniagaan atas talian kerana menyedari akan peluang dan hasil daripada perniagaan ini. Manakala, salah satu aspek kemahiran pengenalpastian peluang dalam memulakan perniagaan atas talian ini adalah mempunyai pengetahuan asas dalam bidang yang diceburi. Dan hasil kajian mendapati bahawa dengan memiliki pengetahuan asas tersebut, mereka berupaya untuk menyedari peluang yang ada, mengenalpasti peluang yang baru dan menggunakan peluang tersebut untuk mencapai sesuatu dalam bidang yang diceburi.

TABLE OF CONTENT

	PAGE
DECLARATION	III
ACKNOWLEDGEMENT	V
ABSTRACT	VI
ABSTRAK	VII
TABLE OF CONTENT	VIII
LIST OF TABLES	XII
LIST OF FIGURES	XIII
LIST OF APPENDIX	XIV
CHAPTER 1 : INTRODUCTION	
1.1 Introduction	1
1.2 Background of Study	1
1.3 Problem Identification	4
1.4 Problem Statement	6
1.5 Research Questions	7
1.6 Research Objectives	7
1.7 Scope of Study	7
1.8 Significance of Study	8
1.9 Definition of Terms	8
1.9.1 Entrepreneurial Motivation	8
1.9.2 Entrepreneurial Opportunity Recognition Skills	9
1.9.3 Perceived Barriers to Business Start-Up	9

CHAPTER 2 : LITERATURE REVIEW

2.1 Introduction	10
2.2 Entrepreneurial Motivation	10
2.3 Demographic Factors as Moderator	13
2.4 Perceived Barriers in Business Start-Up	16
2.5 Relationship Between Perceived Barriers and Entrepreneurial Motivation	19
2.6 Entrepreneurial Opportunity Recognition	20
2.6.1 Opportunity Recognition Skills	21
2.7 Relationship Between Entrepreneurial Opportunity Recognition Skills and Entrepreneurial Motivation	23

CHAPTER 3 : RESEARCH METHODOLOGY

3.1 Introduction	25
3.2 Theoretical/Conceptual Framework	25
3.3 Hypotheses	26
3.4 Research Method	28
3.5 Population of Study	29
3.6 Instrument Design	29
3.7 Sample Size	30
3.8 Data Analysis	32
3.8.1 Validity and Reliability Test of Instrument	32
3.8.2 Model Estimation Using Partial Least Squares	32
3.9 Ethical Considerations	33

CHAPTER 4 : DATA ANALYSIS RESULTS

4.1	Introduction	34
4.2	Demographic Profile of Respondents	34
4.3	Respondents Response to the Three Researches Constructs (Entrepreneurial Motivation, Opportunity Recognition and Perceived Barriers)	36
4.4	Convergent Validity	50
4.5	Cross Loading	56
4.6	Discriminant Validity	61
4.7	Hypotheses Testing	62
4.8	Blindfolding Analysis	66
4.9	Moderating Effect	67

CHAPTER 5 : DISCUSSION AND CONCLUSION

5.1	Introduction	72
5.2	Recapitulation of the Study Findings	72
5.3	Discussion of finding	73
5.3.1	Entrepreneurial Motivation in Online Business Start-Up Among Students	73
5.3.2	The Relationship Between Perceived Barriers in Online Business Start-Up and Entrepreneurial Motivation Among Students	74
5.3.3	The Relationship Between Entrepreneurial Opportunity Recognition Skills and Entrepreneurial Motivation Among Students	75
5.3.4	The Moderating Effect of Demographic Profile in Influencing Entrepreneurial Motivation Among Students	78
5.4	Implication of the Study	78

5.5 Limitation of the Study	79
5.6 Recommendation for Future Study	80
5.7 Summary	80
REFERENCES	81
APPENDIX	92



LIST OF TABLES

	Page
Table 3.1 : Summary of Instrument on Entrepreneurial Motivation	30
Table 3.2 : Selection of sample from each faculty	31
Table 4.1 : Respondent background	36
Table 4.2 : Motivations to start an online business	37
Table 4.3 : Entrepreneurial opportunity recognition to start an online business	41
Table 4.4 : Perceived barriers to online business startup	45
Table 4.5 : Accuracy of Analysis Statistics	51
Table 4.6 : Cross Loading	57
Table 4.7 : Discriminant Validity of the Research Constructs	61
Table 4.8 : Results of Structural Equation Model Analysis	63
Table 4.9 : Q2 Value	66
Table 4.10 : Path Analysis of Moderating Effect of the Influence of perceived barriers to business start-up, entrepreneurial opportunity recognition skills and demographic factors in influencing entrepreneurial motivation for online business start-up among students	68
Table 4.11 : The Influence of Perceived Barriers to Business Start-Up, Entrepreneurial Opportunity Recognition Skills and Demographic Factors in Influencing Entrepreneurial Motivation for Online Business Start-Up Among Students	70

LIST OF FIGURES

	Page
Figure 3.1 : Perceived Barriers, Entrepreneurial Opportunity Recognition and Demographic Factors in Entrepreneurial Motivation for Online Business Start-Up Among Students	25
Figure 4.2 : Path Analysis	55
Figure 4.3 : Modified Path Analysis	62



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LIST OF APPENDIX

	Page
Appendix A : Questionnaire	92



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CHAPTER 1

INTRODUCTION

1.1 Introduction

This section is divided into eight parts. The first part is background of study and followed by problem identification, problem statement, significant of study, and definitions of term.

1.2 Background of Study

E-business (electronic business) or often referred as online business is the management of business system on the Internet. These business processes include purchasing and trading of products, supply and service; customer servicing; payment process; production management control; business partner collaboration; information sharing; automated employee services running; recruiter; and etc. Today, major organizations are attempting to reforming their businesses in terms of the Internet. The installation of high-tech security system in browsers and digital certificates has ease the early concerns on the security of business transact on the web. In October 1997, IBM when launching a thematic marketing campaign for e-business was the pioneer in introducing the e-business term to the public (Muhsen, 2015).

Study by McGann (2004) found that, from a sample of consumers attracted to e-business, 78 percent claimed that it is time saving and convenient, 51 percent surveyed for better prices, 43 percent claim it offers more selection, 40 percent voted for the convenience of delivering or shipping, 28 percent stated that they are

able to find personalized gift online, 20 percent claimed that they can found more information on the product and 8 percent stated other reasons.

In Malaysia, Jaring was first introduced in 1990 as the first Internet Service Provider, followed by TMNET in 1996, the Internet usage has been growing steadily in Malaysia since then (Harn, Khatibi and Ismail, 2006). It started with only 90 of internet users in 1992, increased to 50 thousand in 1996, then 100 thousand users at the end of 1997 (Hassan, 1997), and later at a staggering 2 million in 2002 (Nua, 2002). This year the overall Internet penetration is at 72.2% of the population, which is among the highest in the South East Asian Region. Sabah's Internet penetration is equals to the national average at 72.4%. International Data Corporation (IDC) Asia-Pacific study has indicates that there is a bright and promising for online shopping in Malaysia. IDC predicted that Internet commerce sales revenue in Malaysia experiencing tremendous growth. The sales revenue reported in 1998 is US\$ 15 million, increased to US\$ 46 million in 1999 and further hike in the year 2003 for a total of US\$ 1.57 billion (Louis and Leon, 1999).

Hence, the Internet has emerged as a popular medium for the business to market, promote and introduce their products or services in the globalize world. According to the study by Internet World Stats (2014), with 45.7 percent of response collected, Asia have the most users of internet as compared to other region. There is also an increase of Internet users in both developed and developing country and tremendous addition in the subscriptions of fixed-broadband subscriptions as reported in the International Telecommunication Union in 2011. The report also stated that in Internet subscription sector, wireless-broadband Internet access has become the strongest growth. In addition, The United Nations Conference on Trade and Development (UNCTAD) report also revealed that there is a growing trend of shifting from fixed to wireless Internet connection or devices as it offers a more practical broadband entry point for developing countries. This is also due to the installation cost of wireless broadband is lower compared to the fixed broadband (UNCTAD, 2010)

The positive impact of the internet revolution on the sustainability of marketing advantages according to Arnott & Bridgewater (2002) leads to

interaction with customers and the replication of 'one-to-one' personal selling relationship that previously existed only in the small market. Therefore, online shopping is currently experiencing what can be described as a boom. However, the concept of e-business is still relatively novel (El-Gohary, 2009). The online shopping market of Malaysia was estimated at around RM1.8 billion in 2013, and, by 2015, it is expected to increase to RM5 billion (Bernama, 2014). Based on the Malaysian Communication and Multimedia Commission (Association, 2012), online shopping is ranked 11th among the top 15 reasons why Malaysians access the Internet.

The adoption of e-business or online business not only captured the attention of large companies but also acknowledged by the small, medium and micro sized enterprises. Damanpour (2001) stated that the way businesses are conducted has been revolutionized in the advent of the internet technology. It influences the home-based business growth in a positive way. In the study conducted by Mokhtar (2015), the perceptions of the small enterprises were measured in the adoption of Internet marketing. As a result, small business enterprises agreed that the adoption of Internet marketing helps them to expand their market horizon, increase their relationship with customers and cost effective. The e-business is fast emerging opportunities that needs nascent entrepreneur can venture given the suitable catalyst it can create a dynamic and job market.

The idea of entrepreneurship has become the main agenda in the country, hence to accommodate the growth of entrepreneurial activity, entrepreneurial programmes were introduced and supporting mechanisms are built. These programmes and mechanisms are to assist the growth of country's economic in creating more job opportunities to the people. With online business becoming one of the medium for entrepreneurial activity, this effort will be crucial specially when the rate of unemployment problems especially among university graduates in Malaysia is high. Between 30% and 40% of graduates have no job after finishing university or are in fields that do not commensurate with what they have studied.

Hence, this study examined the effect of perceived barriers on online business start-up, Entrepreneurial recognition skills on the online business opportunity and their motivation for setting up an online business. The study also

tried to examine whether the differences of gender, race, working experience, and parent's employment moderates one's entrepreneurial motivation.

1.3 Problem Identification

There had been many published empirical studies on entrepreneurial motivation and the first streams of classification differentiate necessity versus opportunity motivation (also called push vs. pull motivation). The second stream applied multi-dimensional typologies of entrepreneurial motivation and the third stream focuses on the motivations to grow a business, or growth ambitions. Individual drivers on entrepreneurial motivation was also being discussed specifically looking at characteristics like gender, education, age, racial and ethnic background, personality differences and resources. (Ute, Mark and Cord-Christian, 2015)

According to a research done by Mekonnin (2015), institutional role, entrepreneurship course, family background and expected opportunities are the key factors for the undergraduate students' entrepreneurial motivations in Ethiopian higher learning institution. While Malebana (2014) found out that there is a significant correlation in entrepreneurial motivations with entrepreneurial intention and its three determinants, social valuation of entrepreneurship, having entrepreneurial role models, knowledge of entrepreneurial support and perceived barriers to starting a business. Entrepreneurial family background and entrepreneurial motivation are also highly correlated. Another study done by Khanmoradi, Omid and Lashgarara (2014) also shows that there was apposite relationship between entrepreneurship motivation and economic factors of students. A local study by Kim-Soon, Abdul Rahman and Nurul Nadia, (2015) also stated that in correlation with entrepreneurial intention, the students has made strong decisions in making entrepreneurship as a career option.

In the previous research done on entrepreneurial opportunity recognition, there are a broad range of factors in entrepreneurial opportunity recognition identified. Factors are categorized into individual to external environmental. Nevertheless, most of the research is stressing on the individual factors (Park,

2005; Smith et al., 2009). These studies have identified the individual as the major factors in the opportunity recognition process, including self-alertness, prior knowledge, self-efficacy, and social networks (Ardichvili, Cardozo, and Ray, 2003; Gaglio and Katz, 2001; Ozgen, 2003; Ozgen and Baron, 2007). Moreover, the study by Shane, Locke and Collins (2012) stated that opportunities influence one's entrepreneurial behavior and fully determine the entrepreneurial process. Different entrepreneurs when presented with similar opportunities might have the tendency of making different decisions. Therefore, it is very important to examine how significant is the relationship between entrepreneurial motivations and entrepreneurial opportunity recognitions in online business start-up.

In addition, the perceived barriers in starting up an online business also influence one's entrepreneurial motivations. Kolvereid (1996), Krueger, Reilly and Carsrud, (2000), Iakovleva, Kolvereid, and Stephen, (2011), and Moriano, Georgievski, Laguna, Stephen, and Zarafshani, (2012) has agreed that motivational perspective is the reason graduate students do or do not plan to start their own business. Barriers has been perceived as the major factors dishearten the start-up of a new business (Bates, 1995, Lien et al., 2002; Schindehutte et al., 2003)

The demographic profiles of respondent's gender, race, working experiences and family background might have indirect effect on the outcome of the study. As in Ruizalba Robledo et al., (2015), the authors stated that there is positive moderating effect for women in the relationship between subjective norms and the perceived behavioural control.

Based on the previous research on the entrepreneurial motivation of students done locally and internationally, none of the research are focusing on the entrepreneurial opportunity recognition and perceived barriers in online business start-up. According to Ramayah and Harun (2005) and Mohar, Sandhu and Jain, (2006) there are not much study being done in the area of perceived barriers. Furthermore, the studies previously done are focusing more on the factors influencing entrepreneurial intentions. Given the different context in Sabah, the demographic profiles of respondents might have generated different outcome on this context of study.

1.4 Problem Statement

Despite the statistics and success stories of many online merchants in Malaysia such as Zalora Sdn Bhd & ShaSkinSki Sdn Bhd, the apprehension of going online by graduates is real. They appear to be lagging and afraid to venture into online retailing. This is because Internet commerce is still relatively new and there are no hard and fast rules to live by, with limited tried and tested business model to imitate. Although the Malaysian government has effortlessly commenced to attract more people, especially students at higher learning institutions to become entrepreneurs, however, the understanding about students' entrepreneurial motivation, entrepreneurial opportunity recognition as well as how they perceived barriers and when starting up an online business is still sketchy.

Since opportunity recognition have a positive influence to one's entrepreneurial motivation (Shane et al., 2012), it is important to investigate on the students' ability to recognize entrepreneurial opportunity. The results from the findings will be beneficial in planning for workshop, trainings or programme for the students' self-enrichment in terms of opportunity recognition skills. Some of the studies also listed barriers as the important factors dishearten the start-up of a new business (Bates, 1995, Lien et al., 2002; Schindehutte et al., 2003). Through the study, the identification of these barriers of business start-up among students will provide valuable insights to related organizations in providing solutions or assistance to new entrepreneur.

Nevertheless, the justification of demographic factors to be used as moderator in the study as stated by Malebana (2014), there is significant relationships to entrepreneurial motivations. The findings will help in targeting the suitable group with specific demographic profiles to be trained or assisted. Therefore, to promote the blooming of entrepreneurs in the country and to assist them in facing forthcoming barriers optimistically, it is crucial to comprehend the whole process of forming an online business, in particular on how an online business formed and managed in the perspective of entrepreneurial motivation.

1.5 Research Questions

1. Do perceived barriers to business start-up influence the entrepreneurial motivation for online business start-up among students?
2. Do entrepreneurial opportunity recognition skills influence the entrepreneurial motivation for online business start-up among students?
3. Do demographic factors moderates the entrepreneurial motivation for online business start-up among students?

1.6 Research Objectives

The main objectives of this study are:

1. To examine whether perceived barriers to business start-up influence the entrepreneurial motivation for online business start-up among students.
2. To investigates whether entrepreneurial opportunity recognition skills influence the entrepreneurial motivation for online business start-up among students.
3. To study whether demographic factors moderate the entrepreneurial motivation for online business start-up among students.

1.7 Scope of Study

This survey was conducted among final year undergraduate students of University Malaysia Sabah. All 10 faculties were included in this study to examine the moderating role of course of study to one's entrepreneurial motivation. Since, online business entrepreneur in the market come from different area of study. The student profile was from various faculties, different gender and races will be tabled. The number of samples selected was taken in portion based on the approximate number of students of the respective different categories in the study population.

This group of respondents were chosen since they were fit in studying the entrepreneurial motivations for a business start-up as they are to make an important career decision after the completion of their studies of which entrepreneurship on online business might be one of them.

1.8 Significance of Study

This study is the first in University Malaysia Sabah to investigate the entrepreneurial motivation, entrepreneurial opportunity recognition skills, and the perceived barriers in online business start-up among the final year students across faculties. This study furnishes to the body of knowledge by providing information on the impact perceived barriers on entrepreneurial motivation among final year students in Sabah and how the findings will be used by the government or NGO's help in providing assistance in the said area. Trainings, workshops and programme can be designed to cater to the development of Entrepreneurial Opportunity Recognition skills that can be mastered by an entrepreneur in recognizing opportunity in entrepreneurship. The diversity of respondents' course of study can be an essential knowledge that contributes to the fundamental reason that leads to entrepreneurial motivation as mentioned by Kruger et al (2000) in their study. Therefore, it is important for higher learning institutions to consider close integration of entrepreneurship skills, knowledge and behaviours across its curriculum.

1.9 Definition of Terms

1.9.1 Entrepreneurial Motivation

Motivation is important in our daily lives. It is the core of biological, cognitive, and social regulation (Ryan and Deci, 2000). While, Edelman et al., (2010) stated that motivations could be the stimulus to transform a latent intention that drives entrepreneurship and reiterated that it could be the missing link between intentions and action

1.9.2 Entrepreneurial Opportunity Recognition Skills

Casson's (1982) define entrepreneurial opportunities as "those situations in which new goods, services, raw materials, and organizing methods can be introduced and sold at greater than their cost of production". Another definition offered based on Christensen, Madsen, and Peterson (1989), opportunity recognition was defined as perceiving a possibility for new profit potential through (a) the founding and formation of a new venture, or b) the significant improvement of an existing venture. Entrepreneurial recognition skills include 1) Active search for opportunities, 2) Alertness to opportunities, 3) Prior knowledge and 4) Self-efficacy. By this definition, this requires that entrepreneurial opportunities recognition generate profit.

1.9.3 Perceived Barriers to Business Start-Up

Russell E., (2006) defined perceived barriers as the degree of confrontation that one individual need to face in terms of social, personal, environmental and obstacles in economic to a specified behavior or the status of goals desired on the behavior.