# Economic Literacy and Entrepreneurial Skills among Upper Secondary Students in Selected Schools of Kedah, Malaysia[1]

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## Abstract

*A lack of economic literacy skills can limit students' entrepreneurial agility, hindering their ability to address current and future economic challenges. This study examines the economic literacy and entrepreneurial potential among upper secondary students in nine selected schools in Sik District, Kedah, Malaysia. Using a cross-sectional design and quantitative approach, data were collected from a sample of students via a self-developed questionnaire. Results reveal low economic literacy levels among students, with demographic factors, such as parents' occupations and family income, significantly influencing economic understanding and entrepreneurial aspirations. Students from lower socioeconomic backgrounds display lower economic literacy and entrepreneurial potential. Findings suggest a connection between social status and students' readiness for self-reliance and job creation in rural areas. The study recommends targeted interventions, including training and workshops, to enhance students' knowledge of economic principles, creativity, resilience, and risk-taking skills.*

*Keywords: Economic literacy; Entrepreneurial; Entrepreneurship*

## 1. Introduction

The global downturn in economic growth due to the impact of the COVID-19 pandemic has led to rising unemployment and increased poverty. Addressing this slow economic growth requires targeted educational priorities and skill enhancement programs. Education and knowledge are essential for fostering economic progress and societal advancement. Consequently, it is crucial for school children to acquire foundational knowledge in basic economics and practical entrepreneurship skills that can be readily applied. This fundamental understanding of economics and entrepreneurial potential equips the working population to create jobs and stimulate employment, which is valuable across all communities, regardless of academic backgrounds. In this context, determining the economic literacy level among students in Malaysia provides a critical benchmark for enhancing students' financial literacy and business sustainability. Students who possess a high level of economic literacy also demonstrate a strong potential for entrepreneurship.

In Malaysia, there is widespread concern regarding young people's ability to navigate present and future economic challenges. A lack of economic literacy skills can limit students'

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entrepreneurial agility, as seen in the discouraging results of High School Certificate examinations in economics. Most Malaysian students complete their formal education at the secondary level, with those advancing to university rarely taking economics courses. Providing secondary school students with economic literacy and entrepreneurial skills can empower them to start and manage businesses, create jobs, and contribute meaningfully to community development. As the ongoing global economic uncertainties from COVID-19 continue, societies increasingly need job creators rather than job seekers. Entrepreneurs are key to driving innovation, generating employment, and revitalizing the economy. To succeed as entrepreneurs, individuals require strong skills and knowledge of economic indicators and financial decision-making. While economic and financial literacy are essential for entrepreneurship, empirical evidence on this relationship remains limited.

The objective of the study is to examine the economic literacy and entrepreneurial potential among upper secondary school students in selected schools in Sik District, Kedah, Malaysia. The economic literacy and entrepreneurship indicators determined by this research will allow the government to identify the level of economic literacy and entrepreneurial potential among students in this district. Identifying these skills at the secondary school level will provide a foundation for targeted interventions to instill a spirit of entrepreneurship, job creation, empowerment, and resilience in business among young students. Additionally, this inference will guide the design of necessary training, workshops, and seminars to groom students to become innovators and job creators, a critical need in Malaysia and many other countries.

The remaining parts of this paper are organized as follows: Section 2 provides a review of the related literature. Section 3 presents the methodology. Section 4 discusses the main results and finally Section 5 concludes the study and offer policy implications.

## 2. Literature Review

*Economic literacy*

Defining economic literacy can pose challenges, especially when it is conflated with related concepts such as financial literacy. In the case of this study, however, the study shall adopt these lenses to understand the concepts of economic literacy and financial literacy. This ambiguity makes it difficult to provide a one-size-fits-all definition and comparisons, particularly when several studies have been conducted in different parts of the world and in different languages (Zait and Bertea, 2015). For instance, in Australia and the United States of America, the common term used is financial literacy (Orton, 2007), while in Canada and Great Britain, the major term used is financial capability (Remund, 2010). Nevertheless, for a comprehensive understanding of these concepts, the study relies on Johnson (2013), who defines economic literacy as “the ability to understand, identify, and evaluate economic concepts in relation to personal finance, the economy, and political systems. Personal finance, which is a large part of economic literacy, can be used as a proxy for measuring financial literacy. Meanwhile, financial literacy is a subcategory of economic literacy and is defined as the ability to understand the use of money in society in relation to earning, managing, investing, and donating." This definition provides a reliable insight into understanding the concept of economic literacy from a narrow and broader perspective, taking into consideration the key issues. Students learning entrepreneurship therefore must

have this foundational knowledge in their curriculum to equip them with both theoretical knowledge and practical skills in economic literacy, particularly when learning to create value in an economy.

To put it simply, economic literacy refers to the fundamental understanding of economic concepts and principles that enable individuals to make effective decisions in matters relating to their finances with a solid understanding and working knowledge of the economy. It encompasses knowledge about various economic factors, such as supply and demand, inflation, GDP, taxes, and government policies. Hence, economic literacy in general is an understanding of the economic system, which deals with how people earn, spend, save, invest, and create value. In other words, the skill and understanding of creating value and managing wealth through the lens of the economy. For example, a person who spends more than he or she earns without any reliable means of payback shows a lack of economic literacy. Similarly, a person who invests in stable financial assets with good returns shows his or her understanding of the economy. Lastly, a person, entrepreneur, or investor who saves currency when the country is going through inflation or a big devaluation versus a person who saves an inflation-hedged asset like gold also depicts their understanding of the economy.

*Entrepreneurship potentials*

Generally, there is no accepted model or definition of who is an entrepreneur or what they do (Churchill and Lewis, 1986). However, this does not leave researchers unaware of their potential. Entrepreneurship potential is about a person's tendency or ability to become an entrepreneur (Terek et al., 2017). It could also mean the innate qualities, characteristics, and skills that individuals possess that influence them to engage in entrepreneurial activities. These potentials encompass a combination of traits such as creativity, innovation, risk-taking ability, self-motivation, leadership, communication skills, problem-solving, and resilience.

*a. Characteristics and qualities of individuals with high entrepreneurial potential*

Creativity and Innovation: Creative thinking is one of the most highly rated entrepreneurial skills, which is what fuels creativity. Creativity is recognized as the ability to create, bring into existence something new, or invent a new form through the use of imaginative skill. On the other hand, innovation is what births creative thoughts. It is adding something new to an existing product system or process (Okpara, 2007). Scholars of creativity also relay a strong relationship between creativity and innovativeness. Successful entrepreneurs often demonstrate a capacity for thinking outside the box, generating novel ideas, and developing innovative solutions to problems, which is at the heart of modern entrepreneurship. Risk-taking Ability: Taking risks is one of the major qualities of an entrepreneur. They assumed financial risk when they felt confident in themselves (Amit et al., 2022) and their venture. Ogbari (2023) asserts that students with entrepreneurial ability tend to venture into risk, as this skill significantly impacts their risk-taking appetite. Entrepreneurs with sound entrepreneurial knowledge, skills, and potential are willing to take calculated risks and embrace uncertainty to pursue opportunities for growth and success.

*b. Self-motivation and passion*

Self-motivation and passion are powerful forces behind an entrepreneur's venture. However, there is no consensus among scholars about its origin. Schumpeter's thought argued that the major motivator for many entrepreneurs' empire-building is the pursuit of

gaining financial reward. However, some entrepreneurs are also motivated by the reward of becoming financially independent, among other benefits such as pursuing one's dreams, earning lots of money, and being their boss (Mani et al., 2013). Entrepreneurship requires self-initiative, drive, and a strong sense of purpose to overcome challenges and persevere in the face of obstacles. This motivation, blended with passion, is what builds resilience and grit among entrepreneurs to never give up on their dreams.

*c. Leadership and communication skills*

According to Alvarez and Barney (2007), entrepreneurial leadership at the individual level is a form of leadership that is focused on the initiative to start a business; at the organizational level, it means actions to monitor innovation and actions to take advantage of perceived opportunities at the market level. On the other hand, Watchravesringkan et al. (2013) found that communication skills play a vital role in entrepreneurship. At the same time, leadership and communication are vital skills for an entrepreneur. They are tools for entrepreneurs to lead and share their vision with teams and stakeholders, especially in today's digital age.

## 3. Methodology

This study adopts a quantitative research approach, specifically utilizing a correlational design as its framework. The research population consists of upper secondary school students, namely Form 4 students, in the Sik district of Kedah. The total number of students is confirmed by the local school authority in Sik district, Kedah. Purposive sampling, a non-probability sampling technique where respondents are selected based on population characteristics and the study's objectives, is employed to identify students relevant to the target phenomenon. Following this approach, students from nine schools are chosen for the study. An economic literacy survey, adapted from Walstad et al. (2013), gathers data on students' economic literacy and entrepreneurial potential, measured through a 60-item structured questionnaire titled "Economic Literacy and Entrepreneurial Potential Scale." This survey facilitates data collection and helps create profiles of students' entrepreneurial abilities. Data analysis is conducted using Statistical Package for the Social Sciences (SPSS) software, with statistical analyses providing numeric descriptions of trends, attitudes, or opinions within the sample population. Statistical measures, including point estimate-percentage, mean, and standard deviation, are used to compute indicators of economic literacy and entrepreneurial potential.

## 4. Results and Discussion

We The respondents' demographic profiles are presented using a bar chart as shown in Table 1-5.

**Table1:** Respondents' schools

| Schools | Frequency | Percent |
|---|---|---|
| Maktah Mahmud Sik | 45 | 12.0 |
| Sekolah Menengah Kebangsaan Agama Sik | 50 | 13.4 |
| Sekolah Menengah Kebangsan Batu Lapan | 48 | 12.8 |

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|---|---|---|
| Sekolah Menengah Kebangsaan Chepir | 50 | 13.4 |
| Sekolah Menengah Kebangsaan Gulau | 50 | 13.4 |
| Sekolah Menengah Kebangsaan Jeneri | 48 | 12.8 |
| Sekolah Menengah Kebangsaan Seri Enggang | 35 | 9.4 |
| Sekolah Menengah Kebangsaan Sik | 48 | 12.8 |
| Total | 374 | 100.0 |

The total number of students who participated in the study was 374. They are all upper secondary students from 8 secondary schools in Sik district, Kedah, Malaysia. A total of 9 secondary schools were supposed to be included in the survey as directed by Jabatan Pendidikan Negeri Kedah (JPNK) Alor Setar Kedah. However, one (SMK Irsyadia) declined to participate in the study. The above bar chart shows each school and the percentage of upper secondary students participating in the study.

**Table2**: Respondent's family status

| **Family status** | **Frequency** | **Percent** |
|---|---|---|
| Living with both parents | 323 | 86.4 |
| Living with father only | 7 | 1.9 |
| Living with mother only | 29 | 7.8 |
| Living with relative | 5 | 1.3 |
| Others | 10 | 2.7 |
| Total | 374 | 100.0 |

The family status of the students as shown in Table 2 indicates that the majority (86.36%) of the students are living with both parents, this is followed by those living with their mother only (7.75%). This indicates that single mothers are somewhat increasing in rural areas as well. The percentage of students living with fathers only is 1.87, while those living with relatives and others accounted for 1.3% and 2.67% respectively.

**Table 3:** Occupation of the respondents' father

| **Occupation** | **Frequency** | **Percent** |
|---|---|---|
| Teacher | 26 | 7.0 |
| Farmer | 47 | 12.6 |
| Civil Servant | 39 | 10.4 |
| Trader | 33 | 8.8 |
| Factory Worker | 21 | 5.6 |
| Unemployed | 10 | 2.7 |
| Retired | 28 | 7.5 |
| Others | 155 | 41.4 |
| Total | 359 | 96.0 |
| 999.00 | 15 | 4.0 |
| Total | 374 | 100.0 |

The father occupation Table 3 indicates that the majority (43.18%) of the students' fathers are working in informal sectors. This is followed by those whose fathers are farmers (13.09%). Students whose fathers work with the government accounted for 10.86%. the percentage of students whose fathers are factory workers, traders, teachers, retired, and unemployed accounted for 5.85%, 9.19%, 7.24%, 7.80%, and 2.79% respectively.

**Table 4:** Occupation of the respondents' mother

| Occupation of mother | Frequency | Percent |
|---|---|---|
| Teacher | 57 | 15.2 |
| Farmer | 8 | 2.1 |
| Civil Servant | 19 | 5.1 |
| Trader | 26 | 7.0 |
| Factory Worker | 10 | 2.7 |
| Unemployed | 12 | 3.2 |
| Housewife | 195 | 52.1 |
| Retired | 7 | 1.9 |
| Others | 35 | 9.4 |
| Total | 369 | 98.7 |
| 999.00 | 5 | 1.3 |
| Total | 374 | 100.0 |

The mother occupation Table5 indicates that the majority (52.85%) of the students' mothers are housewives. This is followed by those whose mothers are teachers (15.45%). Students whose mothers are farmers, civil servants, traders, retired, factory workers, and unemployed accounted for 2.17%, 5.15%, 7.05%, 2.71%, and 3.25% respectively.

**Table 5**: Respondent's family income

| Family income | Frequency | Percent |
|---|---|---|
| RM999 and below | 132 | 35.3 |
| RM1000-RM1999 | 122 | 32.6 |
| RM2000-RM4999 | 63 | 16.8 |
| RM5000 and above | 45 | 11.11 |
| 999.00 | 12 | 3.2 |
| Total | 374 | 100.0 |

The family monthly income Table5 indicates that the majority (36.46%) of the students' family monthly income is below RM1000. This is followed by those whose family monthly income is between RM1000-1999 (33.70%). Students, whose family monthly income is between RM2000-4999 accounted for 17.40%, while those with a family monthly income of RM 5000 and above accounted for 12.43%.

**Table 6:** Economic literacy and entrepreneurship potential mean score of the students

| Demographic profile of the students | N | Mean | Std. Deviation | Minimum | Maximum |
|---|---|---|---|---|---|
| Teacher | 57 | 3.2447 | .75280 | 1.33 | 5.00 |
| Farmer | 8 | 2.8928 | .97309 | 1.15 | 4.03 |
| Civil Servant | 19 | 3.3815 | .56551 | 2.16 | 4.24 |
| Trader | 26 | 3.0480 | .64012 | 1.70 | 4.27 |
| Factory Worker | 10 | 2.9061 | .79039 | 1.15 | 4.33 |
| Unemployed | 12 | 3.0013 | .90120 | 1.45 | 4.61 |
| Housewife | 195 | 2.9982 | .60281 | 1.48 | 5.00 |
| Retired | 7 | 3.1138 | .63591 | 2.12 | 3.78 |
| Others | 35 | 3.0318 | .56267 | 1.97 | 4.24 |
| Total | 369 | 3.0602 | .65486 | 1.15 | 5.00 |

**Entrepreneurship Potential mean score of the students**

| Demographic profile of the students | N | Mean | Std. Deviation | Minimum | Maximum |
|---|---|---|---|---|---|
| Teacher | 57 | 3.6417 | .66989 | 1.79 | 5.00 |
| Farmer | 8 | 2.9597 | .96314 | 1.25 | 4.29 |
| Civil Servant | 19 | 3.9361 | .95071 | 2.07 | 6.54 |

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|---|---|---|---|---|---|
| Trader | 26 | 3.6082 | .94120 | 1.74 | 6.29 |
| Factory Worker | 10 | 3.6286 | .56298 | 2.61 | 4.39 |
| Unemployed | 12 | 3.4904 | .89003 | 1.78 | 4.82 |
| Housewife | 193 | 3.4728 | .58839 | 2.07 | 5.00 |
| Retired | 7 | 3.3776 | .61854 | 2.61 | 4.18 |
| Others | 35 | 3.5116 | .66162 | 2.36 | 5.64 |
| Total | 367 | 3.5281 | .68708 | 1.25 | 6.54 |

Table 6 shows the level of understanding of basic economic indices and entrepreneurship potential among upper secondary students in Sik district, Kedah, Malaysia based on the mean scores. Students' scores on the economic literacy and entrepreneurial potential scale are arranged according to socio-economic profile. The mean score for economic literacy understanding among the students based on their father's and mother's occupation, shows clear differences among the students. Students whose father and mother are teacher show more understanding of economic literacy compared to factory workers, farmers, traders, and unemployed. However, all the students did not attain the threshold of 3.5 mean scores envisaged by the researchers.

Similarly, the mean scores for economic literacy understanding among the students based on their family income shows a unique pattern with clear differences among the students. This pattern shows a progressive or incremental in students' understanding of economic literacy indices along with an increase in family monthly income. This suggests a possible relationship between economic literacy understanding and income. Students whose family income is RM5000 and above show more understanding of economic literacy compared to students whose family income monthly is less than RM1000, RM1000-1999, and RM2000-4999. However, all the students did not obtain the threshold of 3.5 mean scores.

Table 6 also displayed the mean score for entrepreneurship potential among the students based on their father and mother's occupations with clear differences among the students. Students whose fathers are civil servants show more potential to be entrepreneurs compared to factory workers, farmers, traders, and unemployed. However, the students whose father's occupations are farmers, factory workers and unemployed did not attain the threshold of 3.5 mean scores envisaged by the researchers.

In the same vein, the mean score for entrepreneurial potential among the students based on their family income shows a unique pattern with clear differences among the students. This pattern shows an increment in students' entrepreneurial potential indices along with an increase in family monthly income. This suggests a plausible relationship between entrepreneurial potential and income. Students whose family income is RM5000 and above show more entrepreneurial potential compared to students whose family income monthly is less than RM1000, RM1000-1999, and RM2000-4999. Nonetheless, only the students whose family monthly income are RM5000 and above attain the threshold of 3.5 mean scores envisaged by the researchers. Other RM1000, RM1000-1999, and RM2000-4999 did not meet the 3.5 mean score threshold.

## 5. Conclusions

The study reveals that the students' demographic factors, particularly parents' occupations and family income, significantly influence their economic literacy and entrepreneurial aspirations. Economic literacy skills are generally low among students across the nine

schools in Sik District, Kedah, Malaysia, with those from lower socioeconomic backgrounds demonstrating lower levels of economic understanding and entrepreneurial potential. This suggests that socioeconomic status plays a major role in shaping students' readiness for self-reliance and job creation in rural areas. The study concludes that targeted interventions, such as immersive training and workshops, are essential to improve students' understanding of basic economic principles, creativity, resilience, and risk-taking abilities. Future research should focus on developing and implementing these training modules to support students from lower socioeconomic backgrounds and enhance their economic literacy and entrepreneurial potential.

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