

Developing Future Entrepreneurs: Entrepreneurial Intention of University Students-A Case study of Mettu University, Ethiopia

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Abstract

Globally unemployment is a big issue which needs remedy. The problem among the others can be alleviated by setting up new businesses. Business starting up behavior can, in turn, be predicted by business startup intention. However, business starting up intention and barriers to it are less researched in developing country's context specifically in Ethiopia. Hence, the general purpose of the study was to investigate the business start up intention of university graduated students and to identify factors that likely impede them from starting their own business. Data was collected from 79(75%) students who were graduated by June 2015 academic year with the help of interview and questionnaire; analyzed using descriptive statistics with the help of SPSS software and presented in tables and pie-charts. The research findings showed that three out of five students have an intention to start business in the future. But, not immediately after graduation mainly due to perceived lack of personal entrepreneurial competencies as well as finance. In addition, they lacked personal business experiences and support from their families and friends. However, gender shows statistically insignificant effects on entrepreneurial intention. To enhance the entrepreneurial spirit of university graduates, it is imperative to practically teach and train students regarding personal entrepreneurial competencies. Furthermore, entrepreneurship promotion is invaluable and should be given greater attention in higher level education.

Keywords: Entrepreneurial Intention, Ethiopia, Mettu University, Students.

1. Background of the Study

1.1 Introduction

According to a study on the World Economic Forum (November 2013)¹, among unemployed on the world, youth accounts for 40 % (youth is 15 to 35 years old persons)². North Africa has the highest rate of youth unemployment (ibid). Ethiopia is not exclusive. For example, unemployment rate has increased in Ethiopia (ILO estimate)³ since 2013.

Provided the narrowed employment opportunities in the country, Ethiopia, it is necessary and imperative for policy makers and academicians to be acquainted with possible remedies to make their side contribution to nation's economic growth. As a result, it is vital to investigate entrepreneurial intention plus barriers to new venture creation so as to take corrective measures. However, business starting up intention and barriers to it are less researched in developing country's' context specifically in Ethiopia. For this reason, this study hubs on (a) investigating entrepreneurial intention of 2015 academic year graduated students under faculty of business and economics and (b) perceived entrepreneurship barriers from university graduated students' angle.

Business start up intention of the students was measured with the help of the theory of planned behavior (Ajzen, 1991). In this study the two entrepreneurial intention questions used to predict entrepreneurial behavior were "*do you have an intention to start your own business after your graduation* (Lüthje & Franke, 2003) *and estimate the probability (0 to 100%) to start business within the next one year after graduation and within the next five years after finishing studies* (Krueger et al., 2000)". Furthermore, the theory of planned behavior uses attitudes towards the act/behavior, social norms/pressure and perceived behavior control to predict entrepreneurial intention. Although many theories/models can be used to predict intention, the first and the most widely used is Ajzen's (1991) Theory of Planned Behavior (TPB) which, as result, was selected for this study.

¹<https://www.worldskills.org/media/news/youth-unemployment>

²<http://www.unesco.org/new/en/social-and-human-sciences/themes/youth/youth-definition/>

³<http://data.worldbank.org/indicator/SL.UEM.TOTL.ZS/>

1.2 The Objectives of the Study

The general purpose of the study was to investigate the business start up intention of university graduated students along with factors that could impede starting of their own business. Corresponding to this, the specific objectives were:

- *to investigate entrepreneurial intention of 2015 graduated business and economics faculty students of Mettu University;*
- *to identify the major perceived factors that could hamper those students for starting their own business; and*
- *to examine the effect of gender on entrepreneurial intention and to recommend possible solutions for identified entrepreneurial barriers.*

2. Literature Review

2.1 Introduction

Literature review section hubs on entrepreneurial intention and factors assumed to influence/challenge starting of new business from students' perspective.

2.2 Concept of Entrepreneurial Intention

Entrepreneurial intention is defined as the intentions of setting up one's own business in the future (Van Gelderen et al., 2008). In other words; it is the plan to create one's own enterprise in the future after finishing studies.

2.3 Entrepreneurial Barriers

Ajzen (1991) indicated that resources, opportunity and support available to perform a specific behavior influences entrepreneurial intention. Besides, subjective norms, the perceived social pressure to perform or not to perform the behavior, affect a start up of some sort of business (Ajzen, 2005).

In other words, if a person has a supportive family, has role models who have been successful, it adds to her/his desire of creating a new venture. More specifically, if an individual's close relative (that is, mother and father) is an entrepreneur, there is a more probable that individual wants to be an entrepreneur himself/herself according to William & Andrew (2011). In addition, the availability and the sort of experience a person has affect his/her choice of setting up an enterprise.

Environmental factors also can facilitate or impede entrepreneurial activities and then new venture creation (Ajzen & Madden, 1986). Difficulty of obtaining capital, bureaucratic procedures for founding a new company, government rules and regulations are some among the environmental factors.

Also, entrepreneurship education helps the development of attitudes and personal qualities (i.e, self-confidence, persistence, information gathering, persuading and networking, goal setting, opportunity identification and exploitation etc) identified with entrepreneurship (Linan, 2004). Once again, entrepreneurship education helps for developing interest in entrepreneurship as a career (Wilson et al, 2007).

3. Methods

The study was conducted in Mettu University, Ethiopia, focusing on entrepreneurial intention of university students along with factors those likely limits them in starting businesses. The study was descriptive in nature and employed cross- sectional survey design where data was collected at one point in a time from the sample respondents. Students, who directly involved in entrepreneurship education, have significant impact on business start up (Fayolle, 2010). Consequently, the sampling unit was undergraduate 2015 graduated Mettu University students- from business and economics faculty. The total number of students graduated under the aforementioned faculty of the case university in the year 2015 was 105. Since large sample size ensures accuracy of the collected data, 90 students were selected as a sample size even if the response rate is 75%. As a result of the homogeneity of students in their exposure to entrepreneurship, sample respondents were selected using simple random sampling technique. This study was based on both primary and secondary data source and data was collected using structured open ended and close-ended self-administered questionnaire along with interview. The collected data was edited, coded, classified and entered into computer. Statistical package for social science (SPSS) version 20 was used for data analysis. Methods such as mean and standard deviation together with chi-square (χ^2) test were used for data analysis. In the end, the analysis outputs were depicted with the help of tables, charts and figures.

4. Results and Discussion

This section analyzes data collected through questionnaire and interview. It comprises of demographic factors, entrepreneurial intentions and perceived factors influencing starting business.

4.1. Instrument Reliability

The questionnaire developed to collect data needs to be checked for its internal consistency reliability ahead of data analysis. To do so, the Cronbach's Alpha measure is used. Alpha should be positive and usually greater than 0.7 in order to provide good support for internal consistency reliability (Morgan et al., 2004). The Cronbach's Alpha measure of this study is 0.852. Hence, the research instruments were reliable.

4.2 Entrepreneurial Intention

In order to investigate the entrepreneurial intention (i.e, the intentions of setting up one's own business in the future) of students, the question "*do you have an intention to start your own business after your graduation*" was raised. This question is dichotomous with yes/no answer. The responses were analyzed using percentage and the result was depicted by the help of pie chart (Figure 3.2). It shows that more than one-third (38.2%) of the students have no intentions to start business after graduation. On the other hand, 61.8 % of the students have indicated that they have an intention to start business in the future.

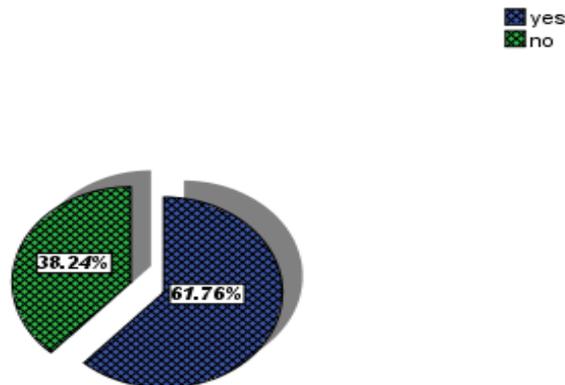


Figure 3.2: Students' intention to start business after graduation

Source: 2015 survey

Furthermore, among those students who have an entrepreneurial intention, they were asked to *estimate the probability (0 to 100%) to start business within the next one year after graduation and within the next five years after finishing studies*. The averaged probability to start in the next one year after graduation is smaller (44.62%) than the averaged probability to start in the next five years (59.2%). From this comparison, one can infer that there was some kind of factors that could limit students not to start business immediately after they finish their studies. So, this could take us towards identification of major factors that students perceived held them back from starting new venture.

4.4. Entrepreneurial Barriers

Once again, students were asked to pinpoint factors that they think prevent them from starting their own business after graduation. In line with this, previous studies by Ajzen (1991) indicated that, resources, opportunity and support available to perform a specific behavior influences entrepreneurial intention. Additionally, environmental factors such as difficulty of obtaining capital and bureaucratic procedures for founding a new company facilitate or impede new venture creation (Ajzen & Madden, 1986). More specifically, entrepreneurship education helps the development of attitudes and personal qualities (that is, self-confidence, persistence, information gathering, persuading and networking, opportunity identification and exploitation etc) identified with entrepreneurship (Linan, 2004). What's more, entrepreneurship education helps for developing interest in entrepreneurship as a career (Wilson et al, 2007). Based on previous studies and environmental facts, students were asked to select one or more factors that could prevent them not to start their own future business among financial issue, marketing problems, management problems, absence or little support from family and friends, lack of supporting government policy and lack of entrepreneurial qualities.

In line with this, the major reasons in descending order from high to low are lack of knowledge on sources of finance and procedure to obtain fund; not have of personal entrepreneurial skills and nonexistence of support from family and friends. Not having knowledge on managerial functions as well as lack of experiences on how to start and run the businesses were also the other important factors that most likely held back students from having entrepreneurial intentions particularly after graduation. This finding supports availability of support to perform a specific behavior by Ajzen (1991) and difficulty of obtaining capital (Ajzen & Madden, 1986). What is more, entrepreneurship education, which could strongly influence students' attitude and interest towards self-employment as well as equip them with personal entrepreneurial competencies, failed to do so.

Besides, the contribution of socio-cultural and environmental factors to self-employment whether it is positively or adversely is undeniable. Keeping in mind this fact, students were asked to state their degree of agreement on perceived behavior control, social norms/pressure and attitude towards self-employment five-point likert scale question items. Accordingly, on table 3.1 below the results were revealed.

From the table 3.1, it is clear that if students had opportunity and resources, they would like to start a business with mean value of 3.76; are confident that they would succeed if they started their own business with mean value of 3.96; have skills & capability required to be an entrepreneur with average value of 3.97, totally attracted to entrepreneurial career with mean value of 3.62. On the other extreme, starting their own business or founding new company is not simple. In addition, the university infrastructure and environment is not supportive for starting new venture.

Table 3.1: Average perceived behavior control and attitude

		if I had opportunity and resources, I would like to start a business	I am confident that i would succeed if I started my own business	it would be easy for me to start my own business	I have skills & capability required to be an entrepreneur	I prefer to found new company than to be manager of an existing one	A career as entrepreneur is totally attractive	My university infrastructure support start up of new firms	Starting my own business sounds attractive to me
N	Valid	34	33	31	33	34	34	34	34
Mean		3.76	3.94	3.32	3.97	3.12	3.62	2.71	3.68
Std. Deviation		1.130	1.223	1.351	.918	1.038	1.129	1.338	1.199

Source: 2015 survey

4.5 Family Role, Role Models and Personal Business Experience

Apart from the abovementioned business start up preventing factors, there were other factors wherein their presence encourages someone's starting of business. Some of these factors are family role, role models and personal business experiences.

For instance, if an individual's close relative (that is, mother and father) is an entrepreneur, there is a more probable that individual wants to be an entrepreneur himself/herself (William & Andrew, 2011). Furthermore, if a person has role models who have been successful, it adds to her/his desire of creating a new venture. Also, personal business background actually has positive effect on entrepreneurial preparedness, and desirability of founding a firm (Stan worth et. al, 1989).

As a result, questions were raised for students regarding their previous experience, their family business experience and their exposure to successful entrepreneurs. Accordingly, 75.9 % of respondents said that they have no previous business experience; 54.8% of students replied that their families have no previous business experience. On the other hand, 79.4% of the students have an exposure to successful entrepreneurs.

To conclude, although students have an exposure to successful entrepreneurs that could encourage them to have their own business, they have lacked business experiences. Hence, business inexperience likely inhibits starting business immediately after graduated.

4.6 Gender and Entrepreneurial Intention

The other research question is with respect to effect of gender on entrepreneurial intention (*that is, business start up intention after graduation*). The hypothesis was developed for this question. The null hypothesis was stated as “*there is no significant difference for males and females regarding business start up intention*”. Following the designed hypothesis, cross tabulation along with chi-square test were used for data analysis due to the dichotomous value of both variables (i.e, gender and intention). The result of analysis together with the chi-square test results were shown on table 3.2 and table 3.3 respectively.

Table 3.2: Difference of intentions to start business between males and females

			Students' intention to start business after graduation		Total
			yes	no	
Sex of students	Male	Count	13	7	20
		Expected Count	12.4	7.6	20.0
		% of Total	38.2%	20.6%	58.8%
	Female	Count	8	6	14
		Expected Count	8.6	5.4	14.0
		% of Total	23.5%	17.6%	41.2%
Total	Count	21	13	34	
	Expected Count	21.0	13.0	34.0	
	% of Total	61.8%	38.2%	100.0%	

Source: 2015 survey

The first thing that should be checked is whether the assumptions of chi-square concerning the ‘minimum expected cell frequency’, which should be 5 or greater is violated. This information is given in a footnote below the chi-square test table. Footnote b in the example indicates that ‘0 cells (0%) have expected count less than 5’.

This means that the assumption is not violated, as all expected cell sizes are greater than 5 (in this case, greater than 5.35).

Table 3.3: Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	.215 ^a	1	.643	.728	.456
Continuity Correction ^b	.011	1	.916		
Likelihood Ratio	.215	1	.643		
Fisher's Exact Test					
Linear-by-Linear Association	.209	1	.648		
N of Valid Cases ^b	34				

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 5.35.

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Linear-by-Linear Association	.209	1	.648		
N of Valid Cases ^b	34				

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 5.35.

b. Computed only for a 2x2 table

The main value that one is interested in from the output is the Pearson chi-square value, which is presented in the chi-square tests. If you have a 2 by 2 table (i.e. each variable has only two categories) however, you should use the value in the second row (continuity correction). This is Yates' correction for continuity (which compensates for the overestimate of the chi-square value when used with a 2 by 2 table). In this study, as presented above, the corrected value is 0.011, with an association significance level of 0.916.

To be significant, the **Sig.** value needs to be 0.05 or smaller. In this case, the value of .916 is larger than the alpha value of .05, so one can conclude that the result is not significant.

This means there is no difference of intentions to start business between males and females of students in Mettu University, specifically from faculty of business and economics, graduated in 2015. In other words, the null hypothesis is accepted.

In short, a chi-square test for independence (with Yates' continuity correction) indicated no significant association between gender and business start up intention, χ^2 (df=1, n=34) =0.011, p=0.916.

5. Summary of Findings, Conclusion and Recommendation

5.1 Summary of Findings

More than one-third (38.24%) of students have no intention to start business in the future. On the other hand, 61.76% students have shown that they have intended to start their own business. On the average, more students have an intention to start business in the next five years (59.2%) rather than starting business soon after graduation. Moreover, 75.9 % of respondents said that they have no previous business experience; 54.8% of students replied that their families have no previous business experience. On the other hand, 79.4% of the students have an exposure to successful entrepreneurs

In the end, there was no significant association between gender and business start up intention. In other words, even if 38.2% males and 23.5% females have an intention to start business, there is no significant difference between males and females regarding business start up intentions.

5.2 Conclusion

The research findings showed that more than one-third (38.2%) students have no entrepreneurial intention. Conversely, 61.8% of students have depicted that they have an intention to start business in the future. But, not immediately after graduation mainly due to lack of personal entrepreneurial competencies as well as finance. In addition, they lacked personal business experiences and supports

from their families and friends. The interview results have also showed that students need resources and opportunities to easily start business. In addition, students, whose family has business experience have shown more interest to start business than those students whose family has no business experience. Similarly, students who have an exposure to successful entrepreneurs have shown greater willingness to start business than those students who have no exposure. Moreover, for most students, self-employment is the second best alternative next to employment for some company or organizations. At the last, students' gender has no effect on entrepreneurial intention.

5.3 Recommendations

To enhance the entrepreneurial spirit of university graduates, it is necessary to practically teach and train students regarding personal entrepreneurial competencies as well as promote entrepreneurship. Support from university environment, families, friends and society at large entail students to have their own business in the future. More specifically, university should work in collaboration with financial institutions, successful entrepreneurs, entrepreneurship development centers and other stakeholders to produce entrepreneurial minded graduates in the country.

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