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Determinants of Entrepreneurial Intention among business graduating students of public universities in Ethiopia

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Abstract

Intentions are the single best predictor of any planned behavior, including entrepreneurship. Understanding the antecedents of intentions increases our understanding of the intended behavior. This article set out to investigates the intention towards entrepreneurship among university students in Ethiopia public universities. Specifically, it aims to examine the effect of entrepreneurship education, family background, family occupation, subjective norms and risk and opportunity on entrepreneurial intentions. Survey study using questionnaire was used to collect data from 350 undergraduate students pursuing in regular program, Ethiopian public universities. To test the hypothesis logistic regression model was used. Accordingly, the data gathered from questionnaires demonstrates that Family education, subjective norms and risk &opportunity variables are found to have statistically significant effect on students' intention towards entrepreneurship. But the remaining variables found to be insignificant.

Keywords: Family education, family occupation, training, education subjective norms, risk and opportunity awareness, self- efficacy and entrepreneurial intention

Introduction

In recent years fostering entrepreneurship has become a contemporary agenda, which recognized as a major engine and important driver of economic transformation. Researchers pointed out that entrepreneurship plays a significant role in job creation, economic transformation, poverty reduction and improve people's living standard (Grilo and Irigoyen, 2006; Wang, Walker and Redmond, 2006). To overcome multifaceted challenges of this ever changing business environment, entrepreneurial attitude is vital for a nation (Lumpkin &Dess, 1996; Hayton and Kelly, 2006; Sathe, 2003).

Due to the positive impact of entrepreneurship, many developing countries, including Ethiopia have paid serious attention over the past decade to entrepreneurship as a potentially fundamental solution to various problems. Recently, Ethiopia has been achieving a promising economic growth, even during and in the aftermath of the global financial crisis. The country had the 5th fastest growing economy in the world during the periods 2001-2010 at an average annual GDP growth rate of 8.4% and the 3rd with a forecast of 8.1% during the periods 2011-2015(ECSA, 2016).In spite of this, Ethiopia is a densely populated country and the huge population is seen here as burden due to the scarcity of sufficient scope where their

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labor could be employed. A report from World Bank (2016) indicates that 39% of Ethiopian population is below poverty line. To get relief from such situation creating ample employment opportunities where entrepreneurs can contribute significantly is vital.

In Ethiopia until recently, it was a neglected subject. Surprisingly, People engaged in crafts like black smith, pottery, waving, welding and similar ones were among the despised ones in the society (Pankhurst, 1992). However, Entrepreneurship is being recognized as attractive career alternatives. This is reflected in several of the development strategy documents, such as National Micro and Small Enterprise Strategy, first and second Growth and transformation plans which place high importance to venture creation. In spite of the increasing recognition of entrepreneurship, unemployment of young people is one of the most worrying subjects (Sileshi &Waktole, 2017). According to Abel and Christian (2017) youth employment is a key concern in Ethiopia, as almost two-third of the population is younger than 25 years. The country experiences high unemployment, high inflation, low-paid jobs, and poverty continue to be serious social problems in the country. Solving the fore mentioned problem cannot be tackled without the development of creative entrepreneurs**.** To this end graduates have great, innovative and applicable ideas, which can serve as development tools for supporting the Ethiopian economy and as means of reducing unemployment, enhancement of quality of life, reduction of poverty and so on.

Currently, there are more than 31 public universities with very large number of students in Ethiopia. Many of them enrolled at higher education in Ethiopia are skewed towards business fields, have been exposed to business courses such as entrepreneurship and small business management courses at a certain stage of their study which enhance entrepreneurship practice. The number of students graduating from these institutions and joining to the labor market is increasingly exceeding from labor demand that the economy can absorb. This is mainly because those work forces want to be employed (job seekers) than being an entrepreneur or job creators (Tesfahun, Mesfin&Yonatan, 2016).

Many researchers tried to investigate what force initiate individuals to bring with new creative, innovative business idea and come up with psychological and demographic and other characteristics are critical and fundamental factors that influence the new venture creation process (Davidsson & Honig, 2003; Minniti, 2005). Understanding of the business graduate students' perception on their entrepreneurial intention is important from different perspectives. First, students' formal training and education on the business can be practically implemented and they can make an optimal decision. Second, deep investigation of students' perception may help to identify the major driving factors on entrepreneur intentions. Third, graduates are young and energetic, have a comparably high professional education level. Thus, thisarticle aims to know which factors influences entrepreneurs to start their business and which factors motivates them to generate an inclination to adopt entrepreneurial activity among higher education's institution graduate.

Entrepreneurial Intentions

Intentionality is rooted in socio-psychology theories of behavior; it underlies theories of rationality in strategic management and serves as the reason for teaching entrepreneurship. According to Bandura (2001) an intention is a representation of a future course of action to be performed; it is not simply an expectation of future actions but a proactive commitment to bringing them about. Intentions represent the belief that one will perform certain behavior. Logically, intent precedes action. In order to see the relative importance of intention antecedents it is better to look an existing intention model, namely the Theory of Planned Behavior by Ajzen (1988; 1991), which has become one of the most widely used psychological theories to explain and predict human behavior (Kolvereid, 1996). The Theory of Planned Behavior suggests that intention is the immediate antecedent of behavior and, thus, the stronger the intention to engage in specific behaviour, the more likely its actual performance should be (Ajzen, 1991).

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Entrepreneurship Education and Entrepreneurial Intentions

Studies show that entrepreneur education at colleges and universities could make a difference in equipping potential entrepreneurs with the much needed skills and technical tool and even in creating some entrepreneurs (Lucas & Cooper, 2012).Entrepreneurship students learn how to bring business ideas better or faster to market than others. Consequently, they should realize higher value from the same opportunity as others. Such knowledge should give students the confidence to consider starting their own business. Basu and Virick (2008.) found that education can affect students' attitudes towards entrepreneurship and their entrepreneurial self-efficacy. Lack of entrepreneurial education leads to low level of entrepreneurial intentions of students (Franke &Luthje, 2003). Entrepreneur with entrepreneurial education and experience can create higher profits from entrepreneurial businesses. Dyer (1994) has suggested that entrepreneurship courses, or training regarding start of new business, contributes towards starting a new business and it gives confidence and courage to them. Based on these insights we hypothesize:

H1: Training or education of entrepreneurship will more likely increase entrepreneur Intention.

Family entrepreneurial back ground and Entrepreneurial Intentions

An important variable for would be entrepreneurs is the background of the family they come from. This provides them with an early social network for the potential entrepreneur to learn the social and cultural norms of a business. A study (Sequeira, Meuller, & McGee, 2007) especially dealt with the social network which provides the fundamental resources necessary for starting a business- this includes friends, family and relatives. "A generally held belief is that the information needed to start a business is passed to the small business owner through an existing social network of friends and acquaintances". (O'Donnell, Gilmore, Cummins, & Carson, 2001). From this we can hypothesize that:

H2: Individuals are more likely to recognize their entrepreneurial intention if they belong to an entrepreneur family.

Awareness to risk and opportunity and Entrepreneurial Intentions

According to Akmaliah and Hismuddin (2009) there is the surprisingly strong influence of personal creativity on entrepreneurial intentions. The results also allow a more precise identification of the elements of job dissatisfaction that are associated with entrepreneurial aspiration.

H3: Individuals are more likely to recognize their entrepreneurial intention if they have strong awareness to risk and opportunity

Subjective norms, self-efficacy, family education and entrepreneurial intentions

According Hamidi, Wennberg and Berglund (2008) new venture creation is an intentional activity; we would anticipate that those aspirations are based on an assessment by the individual of their self-efficacy. This indicates that important differences exist between how students in various areas perceive entrepreneurial opportunities in their future profession. Also, the fact that students engaged in an academic entrepreneurship program had higher intentions to start their own business might be a result of students with high entrepreneurial intentions self-selecting into these programs. That is, entrepreneurs with high self-efficacy may be more successful in their entrepreneurial pursuits than those with low self-efficacy (Akmaliah and Hismuddin, 2009).

H4: There is a positive and significant relationship between subjective norms and entrepreneurial intentions of students to start a business.

H5: There is a positive relationship between Self- efficacy and entrepreneurial intentions of students to start a business

H6 student's family level of education has a positive significant effect on entrepreneur intention

H5: There is a positive and positive relationship between Self- efficacy and entrepreneur intention

H6 student's family level of education has a positive significant effect on entrepreneur intention

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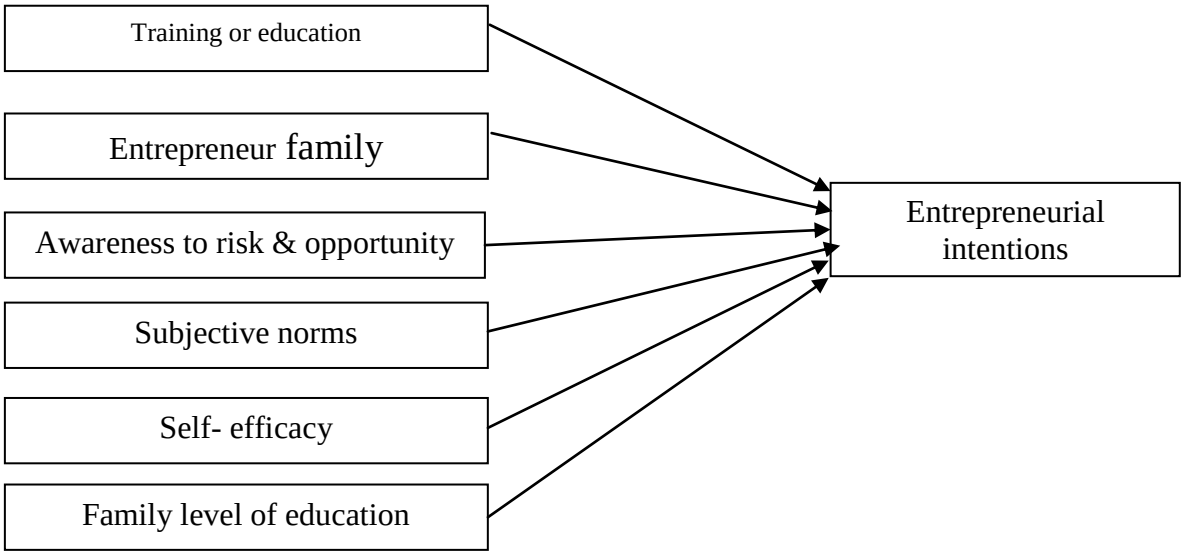


Fig1. Proposed conceptual framework for entrepreneurial intention

Objectives of the study

The objective of this research study is to investigate factors determining the entrepreneurial intention among students from higher learning institution.
Specifically the study seeks to see the following objectives.

1. To assess the extent to which the family occupation affects self-employment intentions.
2. To know the effect of risk and opportunity perception of students on self-employment intentions.
3. To test the effect of family level of education on students entrepreneur intention
4. To see the effect of subjective norms on the entrepreneur intentions
5. To see the effect of entrepreneurial self- efficacy of graduate students self-employment intentions.

Research methodology

In order to investigate determinants of Entrepreneurship intention, the researchers will apply survey research design using quantitative techniques.

Population

The population from which the sample will be selected comprises graduate students from four universities: Bahir Dar, Aksum, Jimma and Mizan Tepi universities believing that these four universities will provide a large enough sample to represent all Ethiopian higher education government universities. And the total graduate students were 2500 from four universities

Sampling Design

The researcher categories respondents based on Departments which is Stratified sampling method because we have different departments as strata and then for each group or strata, simple random sampling were employed

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Sample size determination

In determining sample size, in addition to the purpose of the study, population size, the nature of population (homogenous or heterogonous), and three criteria usually will need to be specified to determine the appropriate sample size: the level of precision, the level of confidence or risk, and the degree of variability in the attributes being measured (Glenn D. Israel, 2009). And the researchers will use proportionate sampling to decide the size for each selected universities.

$$n = \frac{N}{1+N(e)^2} = \frac{2500}{1+2500(.05)^2} = 350$$

Where, n is the sample size, N the total population size, e is the desired level of precision. And the researcher desire a 95% confidence level and ±5% precision.

Sources data collection.

The required data for this study were collected from Primary sources through survey. To collect primary data, self-administrative questionnaire were adapted in order to measure the predictors and the entrepreneurship intention

Instrument

Entrepreneurial intentions was measured by asking participants to rate their interest in starting/ owning their own business on a 5-point Likert scale (1 = definitely not interested, 5 =extremely interested). Their responses were coded as "1" (somewhat or extremely interested) or **"0"** for purposes of analysis.
Questions are framed in such a way that the answers reflect the ideas and thoughts of the respondents with regard to level entrepreneur intention using a Likert scale for each question, where the response ordered from strongly agreed to strongly disagree(Strongly agree (5), Agree(4), Neutral(3), Disagree(2), Strongly disagree(1))

Variable	Nature of the variable
Family occupation	Categorical
Family level of education	Categorical
Subjective Norm	Continuous between 1 &5
Self –efficacy	Continuous between 1 &5
Risk & opportunity	Continuous between 1 &5
Entrepreneur intention	Continuous between 1 &5 .Dichotomized after classifying

Reliability and Validity analysis

Reliability of the instrument was measured using inter item consistency measures of Cronbach's alpha using the statistical software, SPSS 20. And the Cronbach alpha value was found above the recommended value 0.7 as shown table below.

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Reliability test

Variable	Cronbach's alpha
Subjective Norms	.812
Education or training	.718
Self-efficacy	.838
Risk and opportunity	.871
Entrepreneur intention	.892

Data analysis and presentation

A total of 351 of the 360 questionnaires distributed were returned, which represented a response rate of *94%*. Out of these 351questionnaires, 346 were deemed good to be analysed. In cases where respondents did not answer every question, the questionnaires were discarded.

Since the data for this study are numeric indicators of the variables of interest, the study is quantitative. To test whether there is a significant relationship between variables such as family background, subjective norm, education/training, self-efficacy, and Risk and opportunity awareness on entrepreneur intention of graduate students ,logistic regression analysis were employed as a method of data analysis;. The reason is a logistic regression is a form of regression that is appropriate to test the primary hypotheses for dependent variables measured on a binary scale (Siemsen, Roth, & Oliveira, 2010). Logistic regression analysis explains or predicts variation in a dependent (criterion) variable (entrepreneurship) because of the independent (predictor) variables.

Logistic regression

Logistic regression is useful for situations in which you want to be able to predict the presence or absence of a characteristic or outcome based on values of a set of predictor variables. It is similar to a linear regression model but is suited to models where the dependent variable is dichotomous. Logistic regression coefficients can be used to estimate odds ratios for each of the independent variables in the model. (Field, 2009)

Variables in equation	COR	Sig.	B	AOR	Sig.
Family Education	.760	.018	-.217	.805	.032
Salaried			-	1	.066
Own Business(1)	3.03	.002	1.109	.448	.052

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Farmer (2)	2.5	.025	.916	1.088	.764
Subjective Norms	2.615	.000	.471	1.650	.009
Education /training	2.899	.000	.070	1.924	.746
Self- efficancy	3.400	.000	.698	2.074	.000
Risk &opportunity	4.302	.000	.833	2.427	.000

As can be seen, the Beta values of all the regress or variables are significantly different from zero ($p<0.05$). A strong awareness of the risks and opportunities of an entrepreneur increases the odds of a high entrepreneurial intention

Interpretation of data analysed through Logistic Regression

As demonstrated from table above, the effect of each variable on entrepreneur intention were tested by binary logistic regression and the interpretation for the above table for each variable is discussed below:

1. **Family Education**

As we can see from table 4.1 above, the Beta coefficient for Family education is negative. The interpretation of this coefficient in logistic regression is very similar with linear regression in that it represents the change in the logit of the outcome variable associated with a one-unit change in the predictor variable. The logit of the outcome is simply the natural logarithm of the odds of *Y* occurring. Therefore the value negative indicates as level of family education increases, the student's intention to be an entrepreneur decreases.

The odds ratio: If the value is greater than 1 then it indicates that as the predictor increases, the odds of the outcome occurring increase. Conversely, a value less than 1 indicates that as the predictor increases, the odds of the outcome occurring decrease (Field, 2009).

Therefore, Family education plays a significant role in determining student's entrepreneur intention. The value of odds ratio (.805) below 1 indicates the students family education has inverse relationship with their intention to became an entrepreneur

This implies that students who belongs to less educated family are more likely to have high intention to be entrepreneur than those who belongs to educated family. Therefore, the estimation results revealed that students' family education level affect their entrepreneurial intention as indicated from the table above, students who were from educated family were 19% less likely (OR = .805, $p < 0.05$, 95% CI)

2. Family occupation

As we can see from the table above, the family occupation were categories' as Own business, salaried and agricultural farmer and generally the family occupation is significant at 90% confidence level. Thus,

students who belong to self-employed family (farmer) are more likely to have entrepreneur intention than those who belong to salaried family. (OR = 1.088, $p < .025$, 95% CI)

3. Subjective norm

The third hypothesis states that subjective norms have significant effect on entrepreneur intention. Accordingly, the logistic regression result indicates (P value =0.05).since P value confirms subjective norms are significantly influencing students entrepreneurship intention. Hence the hypothesis is accepted. The odds ratio for subjective norms 1.602 indicates that the more favorable the subjective norm with respect to becoming self-employed, the stronger the students intention to become self-employed. It might be expected that social ties are significant for a person living in a collectivist culture, like Ethiopia. Since

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people are more integrated into society, a career selection decision of a young person might be influenced by family members and friends.

4. Education/ training

The forth factor of model is entrepreneur education or training. However, the result of analysis indicated that entrepreneurial intention was not associated with this dimension. Thus the hypothesis is rejected.

5. **Self -Efficacy**

The fifth hypothesis declares self –efficacy has a significant relationship with entrepreneur intention. As we can observe from the table above the p value indicates it is significant 99% confidence interval. And hence the hypothesis is accepted. This implies when individual's belief in his or her innate ability to achieve goals increases the intention to be an entrepreneur will (OR= 2.074, $p < .000$, 95% CI)

6. Risk & opportunity

The last hypothesis says student's awareness for risk &opportunity has significant effect on their entrepreneurship intention and the result of logistic regression indicates .it significantly (p vale =0.000) affects entrepreneur intention. Hence the hypothesis is accepted and Risk and opportunity awareness shows the greatest impact for a high intention for entrepreneurship. As indicated by the odds value 2.427, a strong awareness of the risks and opportunities of an entrepreneur increases the odds of entrepreneurial intention. There is a 2.427greater chance for students who are strongly aware of the risks and opportunities for an entrepreneur to show a high probability for entrepreneurial intention.

Conclusion and Recommendation

The estimation results revealed family education has inverse relationship with students intention to be self-employed it is highly recommended to promote entrepreneurship and awareness of self-employment opportunities for students family at large by country level using different medias such as conferences, workshops and others.

This study also indicates that risk and opportunity as well as self-efficacy has appositive and a great effect on student's intention. Therefore it is advisable for universities to work on student's awareness of Risk & opportunity and self –efficacy attitudes. They can select and invite role models from the society to teach undergraduates students about their experiences which can really influence student's attitude. Universities should also organize some career fairs to achieve greater awareness and should build a closer relationship between them.

It is important that curriculums of the universities should also offer students exposure to small business such as discussing more real world cases at the class. Then it will increase the intention of undergraduates to start their own business.

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