

FACTORS INFLUENCING ENTREPRENEURIAL INTENTION AMONG UNIVERSITY STUDENTS

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—Abstract —

Many universities have introduced entrepreneurship education to promote the interest of under graduates to becoming future entrepreneurs. Here, we seek the undergraduates' perceptions on factors that influence them to entrepreneurial intentions. Based on literature search, we identify validated factors used for predicting entrepreneurial intention. These factors were adapted to explore on students' perceptions. Survey questionnaires were distributed to four local universities by convenient sampling. A total of 196 valid data were analyzed using Multiple Regressions. The results show entrepreneurial intention was predicted by the need for achievement, family business background, and subjective norms except the desire for independence.

Key Words: *need for achievement, desire for independence, family business background, subjective norm*

JEL Classification: L26 Entrepreneurship

1. INTRODUCTION

Entrepreneurs play a key role in economic growth and job creation of a country. Entrepreneurial education has been argued as an effective way to promote and bolster the interest of entrepreneurship among university students. Exposures to this knowledge may instil positive attitudes towards entrepreneurship among

students (Basu & Virick, 2008). Entrepreneurship education has been introduced since mid-1990s as an outcome of economic growth and to-date there are nineteen (19) accredited courses offer in universities in Malaysia (www.uniguru.com). However, past studies have shown students having mixed feelings of becoming an entrepreneur upon graduation and not all would pursue entrepreneur career. In Turkey et al., (2009)'s study indicated level of confidence of potential entrepreneurs is not affected by educational support. Similarly, Schwarz et al., (2009) found students with positive attitude towards competitiveness do not warrant entrepreneurial intention. For these reasons, we propose to conduct an empirical study on local students' perception on entrepreneurial intention.

2. LITERATURE REVIEW AND HYPOTHESES

University students represent the future contributors to any country's economy. While there are many precedent studies investigating the entrepreneurial intention of existing entrepreneurs, empirical studies on entrepreneurial intentions amongst university students are inadequate, particularly in Malaysia.

2.1. Need for Achievement

Sagie & Elizur (1999) described the need for achievement as an impetus drive in undertaking obligated responsibilities perfectly and achieving success. That is, individual who possess a high level in need for achievement has the higher probability to involve them in entrepreneurial activity. In motivation theory, McClelland (1961) states that high achievers who possess a high level of need for achievement correspondingly indicate themselves as moderate risk takers. However, Hansemark (2003) study proves otherwise. With this contradiction, we postulate that: *H1: There is a positive relationship between the need for achievement and entrepreneurial intentions of students to start a business.*

2.2. Desire for Independence

Previous studies described desire for independence as the most frequent mentioned factor to new business start-up (Douglas & Fitzsimmons, 2005). Generally, individuals who possess high need for independence will seek for careers with more freedom (Lee & Wong, 2004). Wilson, *et al.* (2004) resolved that teenagers in Hispanic and African American who like entrepreneurship are motivated by motivational factor such as desire for independence. Based on these literatures, this implies that students with a strong desire for independence are

likely to possess a higher level in entrepreneurial intentions. Thus, we postulate that: *H2: There is a positive relationship between desire for independence and entrepreneurial intentions of students to start a business.*

2.3. Family Business Background

Family with a business background often influence and motivate their siblings to involve in entrepreneurial activity and they are expected to possess higher propensity to launch a business in future (Van Auken et al., 2006). In Singapore and Australia, students are more likely to commence new ventures upon graduation if their parents are in businesses (Phan et al., 2002; Breen, 1998). Interestingly, in terms of household gender role influence, fathers have a stronger influence on their children's decisions to become entrepreneurs than mothers' self-employment (Kirkwood, 2007). Based on the reasons, we are uncertain of this factor in Malaysia context and we therefore hypothesize that: *H3: There is a positive relationship between family business background and entrepreneurial intentions of students to start a business.*

2.4. Subjective Norms

Azjen (1975) describes subjective norm as "perceived social pressure to engage or not to engage in behaviour". Subjective norm and social norm has been used interchangeably (Engle et al., 2010) and is social pressure from the opinions of individuals' parents, friends, partners or other important role. Alsos et al., (2006) study of 252 secondary school students in Nordland in Norway highlights subjective norms affect entrepreneurial intentions. However, Linan et al., (2005) findings from Spanish two universities prove otherwise. Therefore, in this study, we include subjective norm as predictor and hypothesize that: *H4: There is a positive relationship between subjective norms and entrepreneurial intentions of students to start a business.*

The above variables are used as predictors for entrepreneurial intention. Entrepreneurial intention refers to individual decision to implement a business concept and direct it towards a new business creation (Bird, 1988) and it is a reliable measure of entrepreneurial activity and behaviour (Krueger et al., 2000).

3.0 METHODOLOGY

3.1. Sample size, data collection and analysis

A total of 196 valid data was collected and adequate and justifiable for the intended multiple regressions analysis (Field, 2005). This data was analysed using the SPSS version 17.0. Demographic analysis, descriptive statistical analysis, correlations, reliability analysis are presented in **Table 1**. The survey instrument consists of two parts. Part A describes the user's demographics information, Part B uses a five-point Likert scale (1=strongly disagree to 5=strongly agree) on five constructs. The questionnaires were distributed by non-probability snowball sampling method.

4. RESULTS

4.1. Descriptive Statistics

Table 1 shows the results of students' demography with male respondents, 101 (51.5 percent) and female, 95 (48.5 percent). The Cronbach alpha for all variables are within 0.754 to 0.857.

Table 1 – Demographic Information of Students		
Information	Number	Percentage
<u>Age (Mean: 1.66, SD: 0.535)</u>		
18 - 20	73	37.2
21 - 25	118	60.2
26 or above	5	2.6
<u>University of Study (Mean: 1.67, SD: 0.827)</u>		
Multimedia University (MMU)	104	53.1
University Utara Malaysia (UUM)	54	27.6
INTI International University	34	17.3
University Putra Malaysia (UPM)	4	2

4.2. Multiple Linear Regressions

In testing the hypotheses, the data was initially evaluated to check whether it meets the assumption tests such as Homoscedasticity, collinearity and others (Field, 2005). The four variables results in Model 1 show significant R^2 of 0.340 and adjusted R^2 of 0.320 ($F(4, 191) = 24.590, p = 0.000$) for predicting entrepreneurial intention among the students. This means 34% of the variance of

entrepreneurial intention is shared with other variables. The strongest predictor 'Need for Achievement' has a significant regression coefficient $\beta = 0.324$, $t(191) = 5.044$, $p = 0.000$. The weakest predictor is 'Desire for Independent' with nonsignificant regression coefficient $\beta = 0.025$, $t(191) = 0.375$, $p = 0.708$. The results in Table 2 show the hypotheses H1, H3, H4 are supported, except H2.

Table 2 – Coefficient of Independent Variables

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 Constant	1.533	0.264		5.900	0.000
Need for achievement	0.294	0.058	0.324	5.044	0.000
Desire for independent	0.019	0.050	0.025	0.375	0.708
Family business background	0.176	0.058	0.224	3.015	0.003
Subjective norms	0.160	0.058	0.199	2.770	0.006

R=0.583; R2=0.34; Adjusted R2=0.326

5. DISCUSSION

The aim in this study is to further explore entrepreneurial intention (EI) and extended to universities students. The results indicate the need for achievement (NA) has a significant impact on entrepreneurial intention (EI) but NA only indicates moderate relationship with EI of 0.458. This finding is consistent with previous studies of Rauch & Frese (2000). The moderate relationship implies there is a variation on level of NA (McClelland, 1961). A good example is from Hansemark's (1998) work where he found students' needs level increases if they participate in entrepreneur programme and Kolvereid & Moen (1997) study indicates students from entrepreneurial course tend to behaviour more entrepreneurial than other business students.

In this study, desire for independence (DI) is the only variable found to have no significant relationship with EI that is contrary to Douglas & Shepherd (2002) research. Additionally, Wilson *et al.*, (2004) research also discover Hispanic and African teenagers are motivated by desire for independence. In Malaysia, this cohort of students viewed otherwise on DI. The desire for independence is a motivation factor (Douglas & Fitzsimmoms, 2005) and according to some studies

it could be due to genders, economic, and money (Rosa & Dawson, 2006; Itani et al., 2009). Students with family business background (FBB) are an important factor to business start up in the future. This result shows consistency with Phan et al, (2002) study in Singapore and Breen (1998) findings in Australia. Lastly, subjective norms (SN) are another important predictor to entrepreneurial intention among Malaysian students. The result is consistent with El Harbi (2009) study in Tunisia and Alsos et al., (2006) study in Nordland Country.

5.1. Limitations

Two limitations were identified. First, the sample size of respondents is the concern. The data was collected by snowball sampling which was limited by students' contacts and networking. Second, only four universities participated, which indicates the results are not generalized.

5.2. Future Study

Future study should gather more demographic information on students' family background by identifying students from self- and non-self employed family. This includes the number of years the families are involved in business. In doing this, the distinction of family background influencing the students' entrepreneurial intention in the future can be determined. Next, it is important to extend the survey to more universities using quota sampling method. This method allows predetermining of the different ethnic groups and faculties, thus the results will be more representative to students' sample and the results generalize. The desire of independence should be re-studied but eliciting on students' reasons for desire/undesired of independence.

6. CONCLUSION AND RECOMMENDATIONS

In this study, it reflects that students would choose to become entrepreneurs provided there is a need for achievement, family business background, and subjective influence. The desire for independence was not a factor for entrepreneurial intention. This study sought the perceptions of university students in general, but did not specifically examine the perceptions of students whose parents are entrepreneurs. In this case, we argue that this cohort of students would seek for a stable job for a start. Future research should examine between groups' perceptions. Students whose parents are self-employed should continue to motivate and train them into taking-over of business. Educators should inculcate

business students to derive business ideas as part of ongoing projects. This project could be fruitful to the student in the future and an opportunity to becoming an entrepreneur, as in the case of Gauri Nanda who founded the iRobot (Chafkin, 2007).

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