

# Entrepreneurial Intentions among Business Students in Ethiopia

Solomon Melese, Debi Prasad Das, Sanjaya Kumar Ghadai, Anil Bajpai

**Abstract:** *Entrepreneurs are the fortitude of any industry as they come up with an innovative business plan which eventually provides to cultural and business growth. In Ethiopia, thousands of students graduate from universities every year, but merely a rare of them plans to begin their businesses. This paper is designed to analyze the entrepreneurial intentions among undergraduate business students of the University of Gondar, Ethiopia. The Theory of Planned Behavior (TPB), personal attitude toward entrepreneurship, subjective measures and perceived behavioral control are the main determinants that influence entrepreneurial purposes. However, attitudes have improved in this regard, and there have been diverse efforts to magnify the position of university graduates as patrons of innovative firms. The paper brings out the students' approach and perceived behavioral control is an important impact on the entrepreneurial intentions of undergraduate business students.*

**Keywords:** *Entrepreneurial Intention; TPB, Perceived Behavioral Control; Personal Attitude; Subjective Measures.*

## I. INTRODUCTION

Since growth in entrepreneurship activities leads to the creation of opportunities for different sectors of society, it has today been one of the most essential activities for any economy development. Many countries, particularly among developing countries, now grant national priorities to promote entrepreneurship. Entrepreneurship leads to higher living standards, higher revenue and higher government revenue, and individual savings. In recognition that entrepreneurship is essential for the delivery of all-round economic growth and employment, it has been promoted by the United Nations under the Education and Economic growth headings in the sustainable development goals.

## II. REVIEW OF LITERATURE

Many researchers have pointed out that it is a complex decision to become an entrepreneur that results from a complex mental process (Mohammed, Fethi & Djaoued, 2017) [1]. The Theory of Planned Behavior, which imagines the force as a primary precursor of behavior, is the most commonly applied theoretical framework in this kind of

research (Kautonen, Gelderen & Fink, 2015) [2]. Entrepreneurship may also, therefore, be classified as deliberate or planned entrepreneurial behavior (Turker & Selcuk, 2009) [3]. Entrepreneurial intention (EI) therefore deserves academic research and was shown empirically as the foremost and unbiased indicator of behavior about entrepreneurship in some scholarly research (Wang, Lu, & Millington, 2011) [4].

Ethiopia needs to emerge with a better economy to solve business challenges and get the necessary benefits from globalization and the growth of its economy requires entrepreneurship which supposed to lead to an improvement in social life and welfare (Gebremeskel, 2009) [5]. The government of Ethiopia has developed the second five-year "Growth and Transformation Plan-II" (2015-16 & 2019-20), which aims at supporting the realization of the perception of the nation to grow as "a lower-middle-income" nation by 2025. One of its plans is entrepreneurial capacity development by enhancing TVETs in five areas and establishing an excellence center for entrepreneurship in 35 universities, improving the working culture and entrepreneurial abilities of graduating students. Since university education mainly influences students' career choices, they can be regarded as potential future entrepreneurs sources (Turker & Selcuk, 2009). Today, many universities spent a large amount of money on developing for their students a sustainable entrepreneurial education. Thus, education gives a clear overview of what the entrepreneur means and its importance for the entrepreneur's development in the nations in general. Moreover, it is suggested that educations can have a desirable impression on the entrepreneurial attitudes of students (Basu & Virick, 2008). Given that research on EI in Sub-Saharan African countries has been limited (Gerba, 2012) [6], examining the EI of undergraduate business students using the TPB model is the main aim of this paper.

## III. THEORETICAL FRAMEWORK AND HYPOTHESES

### 2.1. Theory of Planned Behavior (TPB)

Hundreds of studies have used TPB developed primarily by Fishbein and Ajzen, for more than three decades (Morgan & Bachrach, 2011) [7]. TPB provides a general framework for analyzing an individual's EI (Turker & Selcuk, 2009). The TPB presupposes three conceptually independent intentions drivers. These are "personal attitude" (PA) towards the entrepreneurship, "subjective norms" (SN), and "perceived behavioral control" (PBC). Earlier entrepreneurship studies found

**Revised Manuscript Received on August 05, 2019**

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that 30-45 percent of the variation in intent is explained by these three antecedents (Gelderen & Fink, 2015). According to Ajzen (1991) [8], these three factors can precisely predict intentions to conduct behaviors of all sorts. These intentions, along with behavioral control perceptions, represent a significant variation in actual behavior.

## 2.1.1 Personal attitude

Attitude is an eagerness to counter in appreciation of particular gadgets in an ambiance and entrepreneurship is involved in the study of these objects (Utami, 2017) [9]. Over 50% of the diversity in plans is explained by attitudes in many studies on various behaviors and the intentions to pursue such behaviors (Debarliev, Janeska-Iliev, Bozhinovska, & Viktorija, 2015) [10]. TPB suggests that people develop positive attitudes to behaviors that are thought to bring good results and look behaviors with undesirable results as unfavorable (Ajzen, 1988) [11]. Accordingly the hypothesis is designed which mentioned below.

**H1:** PA has a positive and significant influence on EI.

## 2.1.2. Subjective Norms

Subjective Norms (SN) commits to recognized common force that an individual is subjected to induce or avoid a certain type of behavior. It includes the convictions of a person about how useful others think that a person should or should not pursue the behavior (Fethi & Djaoued, 2017). A family would expect a person to become a lawyer, a physician or an entrepreneur (Debarliev et. al., 2015). If the individual endorses the behavior, he or she will be strongly committed to it, whereas if he or she doesn't accept it they will be discouraged (Sun & Lo, 2012). Normative belief and motivation to comply are the two basic components of SN. Normative belief is related to the perceived chance for referent individuals to reject or authorize a certain behavior and specify the norm on how to behave. Motivation to comply shows the willingness of the individual's to follow these norms. Concerning the relationship pattern of the model, the traditionally weak role of the SN in TPB is an important matter. But this supposed weakness is not clear with regard to entrepreneurship. However, some studies simply omitted SN, while others found this to be unimportant. In light of the above arguments, the hypothesis below may be offered:

**H2:** SN has a positive and significant influence on EI.

## 2.1.3. Perceived Behavioral Control

Perceived behavioral control (PBC) denotes the perceived ease or challenge of achieving the behavior (Gelderen & Fink, 2015). PBC deals with the ability to execute a specific behavior (Ajzen, 1991). It is based on the idea that individuals normally prefer to conduct behaviors that they reflect can be controlled and mastered (Moriano et al., 2012) [12]. Therefore, this concept is much like self-efficacy. In the new firm formulation rule, the importance of PBC remains in its auspicious ability because it shows the opinion that a person can control this behavior. In light of the above arguments, the third hypothesis has been designed:

**H3:** PBC has a positive and significant influence on EI.

## IV. METHODOLOGY

Participants in this research are undergraduate business students at the University of Gondar, Ethiopia. A

questionnaire was designed with the demographic characteristics likes PA, SN, PBC, and EI to collect the data. Entrepreneurial Intention Questionnaire (EIQ) was employed to assess the dependent and independent variables. We used 5 point Likert scales where 3 show the indifference value. Values below 3 (the midpoint of the scale) correspond to a slightly negative value, while values above 3 are positive. In this research 63.5 % of the respondents were male and the rest were females (36.5%). Most of the respondent was at the age of 20 to 25 years (60 %). Data were analyzed using the statistical software SPSS and Amos. Structural Equation Modeling (SEM) was adopted to develop the measurement and structural model to test the hypotheses.

## V. RESULTS AND DISCUSSION

### 4.1 Descriptive Analysis

The descriptive statistics and correlation matrix are bestowed in Table 1. The table indicates that scales of SN and PBC portray means of 3.1. The standard deviations of SN are relatively the lowest showing that students are indifferent towards this construct. However, this construct has no significant correlation with EI. The scales PA have the highest means of the four scales. It is also one of the highest standard deviations which mean that the group PA is very independent. As far as EI is concerned, it has one of the highest mean value and lowest standard deviations. The scale PA, SN, PBC and EI has the values that are considerably higher than 3, but not too far, and all are less than four. Also, the reliability of all measures is acceptable.

Variable	M	SD	1	2	3	4
1. Personal Attitude	3.60	.950	<b>.87</b>			
2. Subjective Norms	3.10	.750	.149*	<b>.72</b>		
3. Behavior Control	3.10	.920	.461**	.218**	<b>.85</b>	
4. Entrepreneurial Intentions	3.40	.80	.291**	.110	.310**	<b>.80</b>

**Table 1: Means, Standard Deviations, Inter-Correlations and Reliabilities**

NB: \*\*. Correlation is significant at the 0.01 level (2-tailed)

\*. Correlation is significant at the 0.005 level (2-tailed)

### 4.2 Measurement Model

Confirmatory Factor Analysis (CFA) was applied to evaluate the properties of the measurement model with the four constructs. Overall, the measurement model had acceptable fit indices (Chisq/df=1.795; CFI=0.941; TLI=0.932; RMSEA=0.053) according to Zainudin's (2012) recommended threshold values. Further, Harman's single factor test (Podsakoff et. al., 2003) [13] was applied to assess the presence of Common Method Bias (CMB). It is recommended that factor analysis is appropriate when there is a significant value of Bartlett's Test of Sphericity ( $p < 0.05$ ) and KMO indexes of not lower than 0.6 (Pallant, 2007). This value is achieved in this paper (Table 2). It was then found that when only one factor was generated, only 29.23 percent variance was explained.

Consequently, it is clear that most of the variance is not accounted for by a single factor and data is free of CMB (Table 3).

Anderson and Gerbing (1988) were used to assess convergent validity. Convergent validity is shown by the fact that the path loading from an item to its latent construct is significant and the loading of the item is twice the standard error of the items. Discriminant validity is shown if a chi-square difference test is significant between the unconstrained measurement model and one with a correlation of a pair of latent variables at 1.0. If the unconstrained model returns a chi-square value of at least 3.84 lower than the constrained model with a drop of one degree of freedom, then a two-factor solution provides a better fit for the data and supports discriminant validity between the two constructs. Six such correlations and estimates were executed and discriminant validity has been achieved in all the six paired constructs.

**Table 2: KMO & Bartlett's Test**

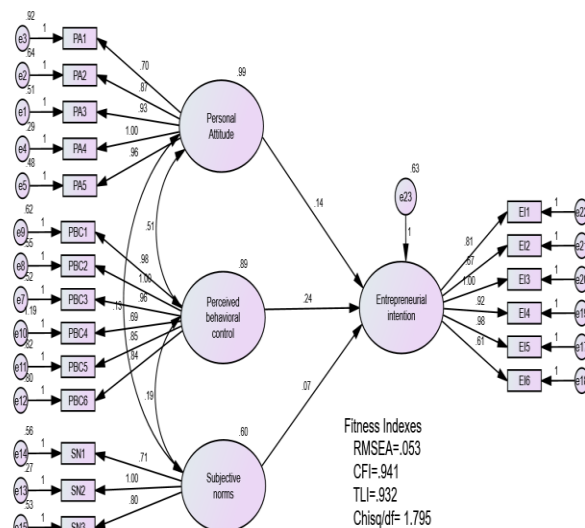
Kaiser-Meyer-Olkin measure of sampling adequacy		.854
Bartlett's Test of Sphericity	Approx. Chi-Square	2341.599
	df	190
	Sig.	.000

**Table 3: Total Variance Explained by a Single Factor**

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	5.846	29.229	29.229	5.846	29.229	29.229
2	2.409	12.044	41.272	2.409	12.044	41.272
3	1.969	9.847	51.120	1.969	9.847	51.120
4	1.738	8.688	59.807	1.738	8.688	59.807

**4.3 Structural Model**

Amos software was used to test the Structural Equation Model containing the relationships between constructs. The result shows that a good fit was also reported by the structural model (Figure 1). The two independent variables (PA and PBC) which were hypothesized to affect EI were found to be significant ( $p < 0.05$ ). But the hypothesized relationship between SN and EI was insignificant ( $H_2$ ). This is in contrary to the idea that social pressures can also act as a trigger to become future entrepreneurs (Moriano et al., 2012) for students. This indicates that students' intentions toward entrepreneurship were predicted only by the two factors which support  $H_1$  and  $H_3$ . Further, PBC was found to be the strongest predictor of students' EI in line with the other studies (Engle et al., 2010) [14]; Robledo, Aran, Sanchez & Molina, 2015 [15]. Thus, it can be concluded that the present paper supports only the two constructs of the TPB model by Ajzen to contribute to predicating EI of undergraduate business students'.



**Figure 1: The Structural Model**

**Table 4: Results of Structural Model**

			Estimate	S.E.	C.R.	P
Entrepreneurial_intention	<---	Personal_Attitude	.140	.070	1.998	.046
Entrepreneurial_intention	<---	Behavioral_control	.240	.079	3.045	.002
Entrepreneurial_intention	<---	Subjective_norms	.068	.082	.833	.405

**VI. CONCLUSION**

Investigating the Entrepreneurial Intention (EI) of undergraduate business students was the principal aim of this paper. To fulfill this objective, the paper examined the entrepreneurial aims among university students. The conceptual framework employed to accomplish this aim through the Theory of Planned Behavior (TPB). The findings confirmed only the two propositions by TPB that PA and PBC enhanced the positive intention towards new firm creating. However, the Theory of Planned Behavior has not been supported concerning Subjective Norms (SN) effects on entrepreneurial intention. The research has given an additional indication of the influence of entrepreneurial education to make an entrepreneurial mindset as well as more interest in entrepreneurship.

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