A Study on Entrepreneurial Inclination among Students

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Abstract—

In India, the development of entrepreneurship is becoming more important as it is one of the driving forces for achievement of economic development and job creation. Entrepreneurship is the process of creating value by developing the necessary time and effort, assuming the various factors such as financial, physical, and social risks, for rewards of monetary and personal satisfaction. The research objective of the study is to investigate the factors associated with entrepreneurial inclination among postgraduate students in Indian universities. The paper provides hypotheses about risk aversion, fear of failure, lack of social networking, lack of resources and stress aversion among postgraduate students. The proposed hypotheses are tested on a sample of 160 postgraduate students. To analyse the data descriptive analysis and regression were employed. The findings help to clarify the reasons for positive entrepreneurial inclination among students to become entrepreneurs. This paper is an attempt to create a better understanding of the factors that account for entrepreneurial inclination among postgraduate students.

Keywords—Entrepreneurs, Students, inclination, risk, network, resources

I. INTRODUCTION

Entrepreneurship is one of the driving forces for the achievement of economic development and job creation (Gorman et al., 1997 and Brockhaus, 1991). Entrepreneurship plays a vital role in driving the economic advancement for both developed and developing economies (Zeelenam et al., 2004). Today's small businesses, particularly the new ones, are the main vehicle for entrepreneurship, contributing not just to employment, social and political stability, but also to innovative and competitive power (Thurik and Wennekers, 2004). In India, the development of entrepreneurship, in both concept and activity, is also becoming more important. Entrepreneurship is the process of creating value by developing the necessary time and effort, assuming the various factors such as financial, physical, and social risks, for rewards of monetary and personal satisfaction (Hirsch and Brush, 1985). Both governments and institutions are encouraging entrepreneurship because of its importance in employment creation which directly influences the gross domestic product. The government provides funding, physical infrastructure, and business advisory services to the entrepreneurs.

One of the solutions to the graduate unemployment problem is to enter self-employment or establish their own businesses. Studies have shown that permanence and employment longevity is no longer a significant feature of career paths (Fallows and Steven, 2000) and the changing nature of career prospects in large organizations has resulted in graduates becoming more interested in starting their own business. However, difficulty in finding stable employment is not a strong enough factor that will lead to graduates becoming entrepreneurs. Research on entrepreneurial behaviors indicates that there are specific personality characteristics that distinguish entrepreneurs from non-entrepreneurs. There are also many barriers faced by graduates in order to become entrepreneurs. Thus, in order to formulate effective policies to curb graduate unemployment, we need to have a thorough understanding of the factors influencing entrepreneurial inclination and also the barriers to entrepreneurship. This helps the policymakers in formulating strategies.

The variables under study can be explained

i) Risk Aversion: Studies have shown that risk construct dominates literature on entrepreneurship and the ability to bear risk has been identified as the primary characteristic facing entrepreneurs (Van Praag and Cramer, 2001; McClelland, 1987 and Koh, 1995). Sexton and Bowman (1984) and Begley and Boyd (1987) only offer modest support for differences in risk-taking propensity. Busenitz (1999) argued that the higher risk taking propensity of entrepreneurs has not been empirically supported. Several studies covering students found that aversion to risk was a barrier to entrepreneurship (Wang and Wong, 2004; Lane, 2002; Scott and Twomey, 1988; Henderson and Robertson, 1999). However, these studies mostly covered undergraduate students. According to Hofstede (1980) societies with low uncertainty avoidance encourage individuals to be ambitious and competitive, to strive for material success, and to take risk for material gain. On the other hand, societies with high uncertainty avoidance expect the individuals to avoid risk-taking behavior for a material gain. Since Malaysia has a society with very high uncertainty avoidance, it can be assumed that Malaysians are averse to risk that comes with entrepreneurship (Hofstede, 1980; Hofstede and Bond, 1988).

ii) Fear of failure: According to the Global Entrepreneurial Monitor, fear of failure is the top reason given worldwide by aspiring entrepreneurs for not starting their own businesses (Bosma et al., 2007). The biggest reason that the majority of people do not go into business is the fear that they will fail (Business Venture Advice,
Other research by Henderson and Robertson (1999), in a UK university found that students who were not entrepreneurially inclined were afraid of failure.

iii) Lack of social networking: Social and organizational networks are also important for new start-ups. Social networks are a significant portion of an entrepreneur’s social capital and also serve to enhance the return on human capital such as intellect and education (Burt, 1997). The importance of these network ties is underscored by findings that in many countries including transitioning economies such as Bulgaria (Manev et al., 2005) as well as industrialized ones such as Holland (Bosma et al., 2004), human and social capital have been shown to impact small business performance. In China, Guanxi (social networking) is a vital factor in building long term business relationship and to reduce unexpected risk (Taormina and Lao, 2007; Luo, 1997; Luo, 2000; Yeung and Tung, 1996). However, “importance of favorable business environment” was found to be a more important factor as compared to social networking in a study conducted among Chinese respondents (Taormina and Lao, 2007). Social networking may be particularly significant in the early stages of a start-up where internal resources are frequently very limited (Jones and Jayawarna, 2010). We argue that in a developing country such as Malaysia, social networking is an important factor in influencing entrepreneurial activities. As such lack of social networking can hinder entrepreneurial intentions.

iv) Lack of resources: While motivation may drive individuals to engage in the behavior necessary to start a business, entrepreneurship research demonstrates also that availability of resources is an important determinant of entrepreneurial process. Some of the critical resources that impact the success of start-ups include financial capital, access to markets and availability of information (Deakins et al., 1997; Basu, 1998; Ven et al., 2007; Sziglasyi and Schweiger, 1984). According to Ramayah and Harun (2005), capital access is one of the most difficult impediments to the growth of entrepreneurial ventures. Entrepreneurs who are setting up a new business face the obstacles of getting funds and financing in a banking system where collaterals and track records are required (David and June, 2001; Cresssey, 2002). In addition, when directly questioned in interviews, potential entrepreneurs said that raising capital is their principal problem (Blanchflower and Oswald, 1998). Studies covering students also reveal that lack of funds is a barrier to entrepreneurship (Turnbull et al., 2001; Lane, 2002; Henderson and Robertson, 1999; Robertson et al., 2003; Li, 2007).

v) Stress Aversion: It is evident that the process of entrepreneurship initiates the demand for work assignments, interpersonal relations and social obligations. Uncertain or unknown matters create anxiety which in turn causes stress in many people, as opposed to the more universal feeling of fear caused by known or understood threats. Henderson and Robertson (1999) in a study of students found that those who did not express the intentions of becoming entrepreneurs claimed that they want to live a family life and entrepreneurship involves too much work.

II. REVIEW OF LITERATURE

The term entrepreneurship was interpreted differently by different scholars based on their own perceptions. Entrepreneurship was originated from a French word "entreprendre" (Kirby, 2004). As stated by Bruyat & Julien, 2001 entrepreneurship refers to one’s own business which emphasis on innovativeness and risk-taking. Entrepreneurship is viewed as a process of innovation, which creates new ventures (Kuratko and Hodgetts, 2004). Timmons (1989) defines entrepreneurship as the ability to create and build which includes initializing, undertaking, realizing and building an enterprise. In most countries, entrepreneurship is considered to be the main driver of economic growth (Muhammad et al., 2011) and also new and Small and Medium Scale enterprises are considered to be the major contributors to new jobs in the country (Mazura and Norasmah, 2011). Thus, a study on the entrepreneurial inclination of students' is very important to encourage entrepreneurship in building their career for the economic growth of the nation.

Some researchers mainly focused on demographic factors such as age, gender, education level and family background to know the students’ entrepreneurial intention (Keat, Selvarajah and Meyer, 2011). Others examined students' entrepreneurial intention with respect to perceived behaviour and support (Ahmad Yasruddin, Nik Abdul Aziz and Nik Azyyati, 2011). Palaniappan and Rafik-Galea (2009) also found that school students who perceived themselves as creative had high levels of initiative, prefer challenging tasks and had higher entrepreneurial tendencies. A study of entrepreneurial inclination and psychological characteristics by Hian (1996) showed that entrepreneurially inclined students had greater innovativeness and higher propensity to take risks as compared to those that were not entrepreneurially inclined. Studies also indicated that entrepreneurship education may help graduates to be successful entrepreneurs (Pickernell et al., 2011).

Entrepreneurship education can encourage students to set up their own businesses (Kirby, 2004), by providing them with business management skills to integrate experience, skills and knowledge to start new ventures (Mazura and Norasmah, 2011). Entrepreneurship courses also raise awareness by providing students with general information about entrepreneurship that makes students to think of entrepreneurship as a career (Kirby, 2004). The programs usually provide opportunities for students to learn from real life practical experiences (Hynes, Costin and Birdthistle, 2011) and inspire the students to change their mind sets (Hamidi, Wennberg and Berglund, 2008). They are also known to motivate students to assess the possibilities of starting new businesses (Delmar and Davidson, 2000) and thus, provide them with a higher intention to start their own business in the future (Hamidi, Wennberg and Berglund, 2008). Yar Hamidi, Wennberg and Berglund (2008) in a study on creativity in entrepreneurship education found that high scores on creativity tests and prior entrepreneurial experiences indicated positive entrepreneurial intentions, whereas perception of risks had a negative influence. Thus, it can be seen that the main focus of entrepreneurship education is to provide a basic
knowledge of entrepreneurship (Greene and Saridakis, 2007). To interact with the market, the students need new skills which is been provided during their course (Hamidi, Wennberg and Berglund, 2008). Hence, these programs should increase their interest to become entrepreneurs (Mazura and Norasamah, 2011) because it increases their business knowledge such as human resource management, business failure signs and causes, general management, advantage on business planning and innovative problem solving (Love, Lim and Akehurst, 2006). In addition, they also encourage understanding and skills development such as strategy development and implementation, and managerial decision making (Hynes, Costin and Birdthistle, 2011).

It is further claimed that schools and universities should play an active role in promoting entrepreneurship education since they are the most ideal setting to shape an entrepreneurial culture among students (Mahlberg, 1996). Thus, universities should take the lead in promoting entrepreneurship when students are taught the way to think and behave like entrepreneurs (Bygrave, 2004). Universities must create an entrepreneurially supportive environment, which could encourage entrepreneurial activities to be carried out among university students (Roffe, 1999). This is supported by Gnyawali and Fogel (1994) who state that universities should contribute in nurturing an entrepreneurial environment as university teaching environments are the most influential factors that affect students' perceptions towards entrepreneurial career (Autio et al., 1997). Universities must present a positive image on entrepreneurship as a career option to draw students' attention to entrepreneurship courses (Keat, Selvarajah and Meyer, 2011). Although individuals may have the relevant entrepreneurial knowledge and skills, they might not venture into the field if universities do not promote the positive image of entrepreneurship (Alberti and Sciascia, 2004). Therefore, universities must play an important role in influencing students to get involved in entrepreneurship (Keat, Selvarajah and Meyer, 2011).

III. RESEARCH OBJECTIVES

The research objective of the present study is to determine the postgraduate student overall perception of their entrepreneurial inclination. The context of the study is the city of Hyderabad, a fastest growing economy in India. This economy is characterized by a high degree of economic, institutional, and social changes that have occurred during the last 5 years.

IV. HYPOTHESES

H1: Risk Aversion has negative influence on entrepreneurial inclination of postgraduate students.
H2: Fear of Failure has negative influence on entrepreneurial inclination of postgraduate students.
H3: Lack of Social Networking has negative influence on entrepreneurial inclination of postgraduate students.
H4: Lack of Resources has negative influence on entrepreneurial inclination of postgraduate students.
H5: Stress Aversion to risk has negative influence on entrepreneurial inclination of postgraduate students.

V. RESEARCH METHODOLOGY

This study used a quantitative, descriptive design based on entrepreneurial intention models (Krueger, & Brazeal; 1994) where data was collected to assess the entrepreneurial inclination of postgraduate students. A survey instrument was designed specifically for this study. The instrument used comprised of demographic variables and independent variables comprised risk aversion, fear of failure, lack of social networking, lack of resources and stress aversion. The questionnaire was distributed to 160 postgraduates in and around Hyderabad city of Telangana State. The students were briefed on the purpose of the study and instruction was given on how to respond to the questionnaire. The questionnaires were administered in-situ and all the response sheets were retrieved from the respondents.

The questionnaire is divided into Part A and Part B. Part A was on the demographic characteristics of the students. Part B was divided based on the independent variables criteria. A Likert-type scale was used with five choices. Cronbach’s alpha was used to determine the internal reliability of the survey instrument. The Cronbach’s alpha reliability coefficient is .84 These results indicated good levels of internal reliability.

The Statistical Package for Social Sciences (SPSS) version 21.0 was used to analyse the data. Statistical analyses were used to investigate and compare the entrepreneurial inclination of students with regards to their entrepreneurial intent, perceived behavioural control, self-efficacy, perceived barriers, perceived support factors and attitude towards entrepreneurship.

VI. DATA ANALYSIS

A. Demographic Characteristics

Table I presents the demographic characteristics of the respondents in the study. Out of 160 respondents, about 70% of the respondents are males and 30% are females. These statistics reflect the fact that there are more male students than females who completed post-graduation. Most of the students are between the ages of 21–25 years old (61%). In terms of marital status, 87% students are unmarried. Majority of respondents 93% had completed their post-graduation and most of them are into non-management courses only. The study comprised mostly of unemployed students 77% and who were not earning.

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<tr>
<th>Variables</th>
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<tr>
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<td>70</td>
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<td>Female</td>
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Table II presents the entrepreneurial inclination among post-graduate students. Most of the students strongly agree that they dream to own a business. The entrepreneurial inclination towards different items seems to be positive as most of them have agreed to the given items like desire to start own business, entrepreneurial inclination, respect towards entrepreneurs and planning to start own business in the next 5-7 years of time.

Table III presents the multiple regression results. The model R-squared implies that 54.8 percent of the variation in entrepreneurial inclination is explained by the independent variables. The results indicate that all the entrepreneurship variables are statistically significant at 1 percent level. The negative coefficient for STRESS indicates that aversion to stress reduces the inclination to engage in entrepreneurial activities. The coefficients for RISK and FEAR suggest that aversion to risks and fear of failure also reduces entrepreneurial inclination. All the hypotheses concerning proposed in this study are thus accepted.

B. Multiple Regression

A Multiple Regression was run to predict Entrepreneurial Inclination from Risk aversion, Fear of failure, lack of resources, lack of network and stress aversion.

Estimated Model Coefficients:

\[ \text{Predicted Entrepreneurial Inclination} = 32.48 - (0.2653 \times \text{RA}) - (0.2333 \times \text{FF}) - (0.2578 \times \text{LR}) - (0.2988 \times \text{LN}) - (0.332 \times \text{SR}) \]

Table III presents the multiple regression results at 1% and 5% significant level.
VII. CONCLUSIONS

The main purpose of this study is to examine the factors that influence the students' intention to become entrepreneurs. The results of the study indicate that personal characteristics significantly influence the students' intention to be entrepreneurs. This study clearly revealed that the inclination towards entrepreneurship among postgraduate students in high which was evident from the mean scores obtained. Therefore, there is a possibility to educate these students towards future success and lead the way forward in fulfilling the government's vision of 'MAKE IN INDIA'. Having a high entrepreneurial intention alone may not be enough, there is also an urgent need for the government to focus their attention on providing resources and helping them to have social network. As the samples are students, the findings from this study are particularly relevant to entrepreneurship education. The entrepreneurship course offered can further develop the students' intention to be entrepreneurs. Proper support system and infrastructure as well as the development of managerial competencies must be available and further improved among the students such that the Government of India can fulfill its vision.

REFERENCES


