

**An Investigation of higher education student's  
Entrepreneurial intention in Ethiopian Universities:  
Technology and Business fields in focus**

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## **Abbreviations**

TPB = Theory Planned Behavior

MSE=Micro and Small Enterprises

OECD= Organization for Economic Cooperation and Development

ILO= International Labor Organization

SEE = Shapero Entrepreneurial Event

SCT= Social Cognitive Theory

nAch= need for achievement'

nAff= need for affiliation

nPow =need for power

SPSS= Statistical Package for the Social Sciences



## **ABSTRACT**

**Purpose:** purpose of this study aims at seeking to identify whether entrepreneurial intentions exist among university students.

**Methodology:** Survey research method was employed involving total of 210 students from four public universities found in the Ethiopia. Sample of respondents from selected Universities were drawn by using systematic sampling techniques. The study used both primary and secondary data. Pertaining to data analysis both qualitative and quantitative data analysis techniques mainly descriptive analysis using percentages, tables and graphs were employed. From inferential statistics multiple regression analysis was conducted to identify which variables are significant for the model. Regression analysis was used to explain the effect of independent variables on a dependent variable. Additionally mean scores and standard deviations were calculated to identify the most important factors that determines students Entrepreneurial intentions in the selected Universities

**Findings:** the study proposes five factors contributing to the development entrepreneurial intention in selected universities. Accordingly subjective norms, perceived self efficacy, university environment, perceived educational support and students attitude toward entrepreneurship were significant determinants for entrepreneurial intention in selected public universities.

**Practical implications:** the finding specifically imply that the universities are advised to give attention to the impact of social influences, identify the way to enhance students confidence to perform entrepreneurial roles and tasks, allow university stakeholder participations such as Supervisor and Lecturer to guides students well and encouraged students to pursue their own ideas. Finally, Ethiopian ministry of education is expected look at university environment to create environment which can boost entrepreneurial intention of the students.



# CHAPTER ONE

## INTRODUCTION

### 1. Background of the study

Entrepreneurship has increasingly evolved to such an extent of not only becoming a career but also a desirable employment option for most people these days. There are more small businesses being created. This has been evidenced by the growing number of people specializing in the conduct of small businesses. On the other hand professional or rather office jobs employment is no longer a fashion as people remains with less chances for getting salaried jobs. We have less prospects of being employed in established organizations. Probably this can be taken as a contributing factor that forces many people to seek opportunities for self employment. This has brought about the heuristic characteristics among many people who behave entrepreneurially

There is an external learning with which circumstances drive certain people to follow a particular career in life. Still political and academic interest in support of entrepreneurship as a career choice is on the rise probably because of the link between new venture creation and the economic development. In Teixeira & Davey, Moore, Klapper and Leger-Jarniou, 2006 are quoted to show that the continued economic uncertainty, corporate and government downsizing and a declining number of corporate recruiters on the education system have been fostering the appeal of self-employment (Teixeira & Davey 2008). But it is also being noted as common for tertiary education to prepare students not only as job seekers but mostly as job creators by becoming self employed (Gelderen, Brand, Praag, Bodewes, Poutsam& Gils 2008). No wonder entrepreneurship has a hand in supporting any economy in the world. It is well considered that people who are engaged in business creation are vital in the modern economy. These same people are charged with responsibilities that bring new products in the market and revitalize the disequilibrium of economy. These individuals depict unique behaviors that have drawn academicians' attention for academic researches.

The main argument asserts of entrepreneurial intention as the pre-condition for undertaking entrepreneurship is that signs that people show to behave in a particular way can help in telling the ways in which people will end up behaving. In the same line, we will find established evidence that someone's intention to act towards something in a certain manner is the most obvious indicator of his actual behavior.

Krueger and other colleagues have discussed entrepreneurial intentions to show that people will not indulge in starting new firms as a reflex, but rather they consider the option much more carefully and quite well in advance (Krueger, Reilly & Carsrud 2000, Scutjens & Stam 2006). The drive comes from within an individual who intend to set up a business venture. Even though researchers still tell that situational as well as individual attributes serve as poor predictors of new business formation, the fact remains that it is an individual who personally envisages and articulate into business ideas. As mentioned above, it is apparently normal in course of living for people to choose entrepreneurship as a career. This makes it a norm to conjecture that the entrepreneurship process is or can be regarded as a pre-intended behavior in which people eventually delve in. Following this argument the established thrust for entrepreneurial intentions investigation gathers grounds. The same intentions are regarded as best predictors of planned behaviour which in this study is the act of starting a new business. Entrepreneurial intentions as such have accorded merits and academicians strive in efforts so that it is established on the ground of what trigger people to behave entrepreneurially.

Various societal and organizational attributes as well as organizational and individual aspects are accounted to be of essence in deriving entrepreneurs and entrepreneurship in any community (Gelderen, Brand, Praag, Bodewes, and Poutsam & Gils 2008). Dutta & L. Thornhill admit that entrepreneurs form a stock of heterogeneous people with regard to setting or even grow business (Dutta & L. Thornhill 2008). Prior theoretical and empirical research shows diversity of individual intentions to start business. With this in mind, the following study draws most of its attention on the incorporation of attitudinal factors as well as characteristics of individual students for the assessment of intentions for new venture creation. The researchers believe it is the inherent personal factors of individuals that dispose them to engage in entrepreneurial behaviours. Extant studies on entrepreneurial intentions mostly focus on the impact of business training to determine the level of entrepreneurial skills among students (Gaddam 2008, Gelderen, Brand, Praag, Bodewes, Poutsam & Gils 2008, Souitaris, Zerbinati & Al-Laham 2007, Raab, Stedham & Neuner 2005). The fact remains that those studies have led to deeper understanding of business intentions among students, but the same studies have not exhausted conclusions on general students to incorporate a dynamic aspect for changes in attitude and economic environment keep on

revolving. Thus findings on this same subject can contradict with the finding at this yet another moment in time. This study will contribute to this ongoing literature by learning and establishing the entrepreneurial variables among students at the university those took entrepreneurship courses.

We are in an age where the entrepreneurial culture should flourish to the extent that entrepreneurship needs to be regarded as a career that is desirable to every individual. It is within this framework that a proposition is made that students and especially university students, form a significant portion of potential entrepreneurs.

### **1.1.1 The Study Area**

In Ethiopia the establishment of micro and small enterprises serves as the base for entrepreneurship development. Considering the above facts, the development of micro and small enterprises becomes a special focus of the current government of Ethiopia, given that they comprise the largest share of total enterprises and employment in the non-agricultural sectors. As a result the government created a favorable environment for young people to organize themselves and engage in business activities to supply inputs for the government owned projects. Besides, in recognition of the important role MSEs have to play in creating income, employment opportunities and in reducing poverty, the government drafted its first MSEs Development Strategy in 1997.

This study mainly focuses on Public universities which were responsible for Ministry of Education. For this study four public universities were selected in order to investigate higher education student entrepreneurial intention and the attitude they have toward self-employment.

## **1.2 Statement of the problem**

We all know now that radical economic changes as well as uncertainties which characterize the contemporary world have resulted into life instability and much worries among individual human beings. This characterization has necessitated the need for actors with capacities and drives to create new organizations or change the market radically. The world now more than ever before needs individuals with distinguished capacities to develop new products, new process and revolutionizing market radically. It is people with distinguished characters that will develop the capacity to continuously tackle complex economic tasks that seem to have no obvious or immediate solutions (Mazzarol, Voley, Doss & Thein 1999). This development of events has put entrepreneurship in the limelight.

In addition the experience that established large Business firms or public organizations are no longer creating a net increase in employment has drawn most attentions into encouraging new business formations as creators of new jobs. Opportunity recognition thus becomes important so that people strive to set business that will pull much more individuals in self employment and create new businesses. These new created business will bring added value to economic development. This as well has resulted in the academic interest in entrepreneurship as the creator of new independent businesses. It follows that there is a dare need of understanding the stock of people who stand a chance to get involved in entrepreneurship. The same need goes beyond into inquiring and wanting to know what make people establish new businesses. Therefore the study of entrepreneurial intention is necessary as it helps and offers a means to better explain as well as predict entrepreneurship.

History has proved universities and colleges as breeding grounds for ardent entrepreneurs. Even though today's most cerebrated entrepreneurs such as Michael Dell, Bill Gates and Steve Jobs, founders of Dell computers, Microsoft company and Apple Computers respectively started their entrepreneurial companies as college drop outs, the Economist online confirms school environment as breeding grounds for entrepreneurship by giving some examples such as the founders of Google (Sergey Brin and Larry Page) and Face book (Mark Zuckerberg, Dustin Moskovitz and Chris Hughes) among others being students when they launched their respective companies.

According to ILO figures, the Sub-Saharan Africa region has the highest rate of young unemployment (18.4 per cent) after the Middle East and North Africa (21.3 per cent). If this trend

persists, it will have considerable effects on human capital in the region, as well as on the region's economic potential. Creating decent and productive work for young people in the Sub-Saharan region could result in a potential GDP increase of 12 to 19 per cent (GET for Youth, ILO 2004).

A high level of un- and underemployment is one of the critical socio-economic problems facing Ethiopia. While the labor force grows, with an increasing proportion of University graduate, employment growth is inadequate to absorb labor market entrants. As a result, university graduates are especially affected by unemployment.

Moreover, Higher Education students are more likely to be employed in jobs of low quality, underemployed, engaged in dangerous work or receive only short term and/or informal employment arrangements after their graduation. These inadequate employment situations have a number of socio-economic, political and moral consequences. Unemployment and underemployment reflect the failure to make use of an important factor of production, labor, for fostering economic growth. Thus the researchers believe would change students' inclinations towards prospects of getting salaried jobs soon after school rather look at self employment in entrepreneurship as an immediate alternative since there is an implicit move to encourage people to engage in entrepreneurship.

The researchers still find a gap now in the need to know potential entrepreneurs and factors that can influence them to establish firms. Specifically for students, literature shows that young people are more likely to dwell and engage in entrepreneurial initiatives that would lead them into establishing new business ventures (Kolvereid 1996). The 2001 Organization for Economic Cooperation and Development (OECD) statistics reports show that hardly 10 percent of adult people are interested in starting business ventures. Yet students are regarded as being on a critical turning point as they are supposed to make career choices and lifestyles upon graduation.

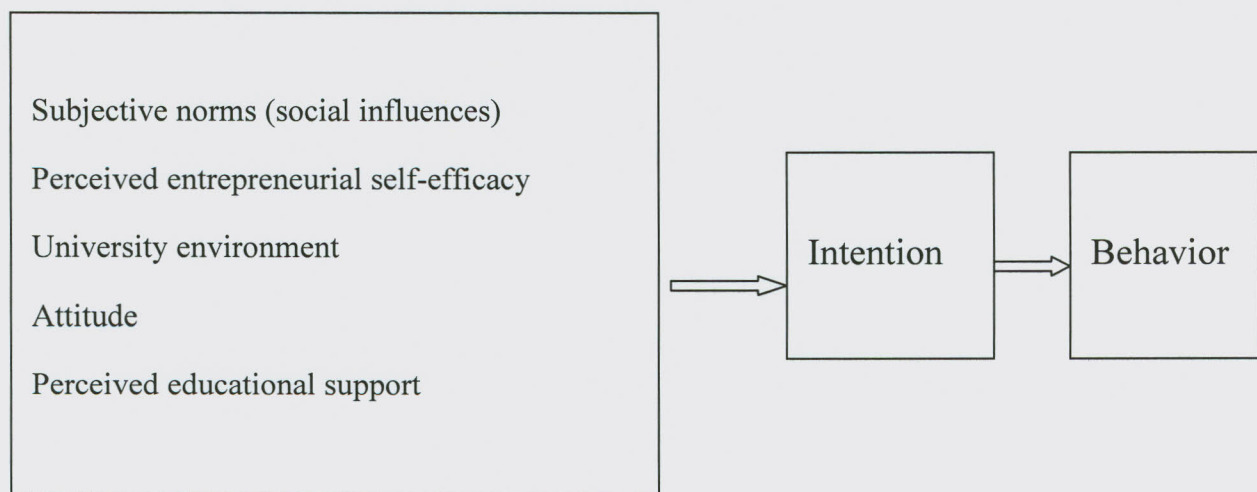
There are a number of studies on students' intentions but most if not all of the previous studies have focused on a particular group of students in the line of gender, faculty, specialty such as Business, engineering students etc, final year student and a number of other categorizations. After learning the established gap, the researchers felt a need to combine all these categorizations and target the selected universities students. In this investigation the researchers replicate various previous investigations on the determination of entrepreneurial intentions. In order to establish theoretical and practical importance of the study a clear consideration is important in generating

research questions. In the framework of attitudes and behaviours of individuals to determine entrepreneurial intentions, this study answered the following questions:

1. What are the entrepreneurial characteristics that exist among students at university?
2. To what extent do social influences contribute in shaping entrepreneurial intentions among students?
3. What is the influence of demographic variables especially gender and family background in determining entrepreneurial intention
4. What influences perceived desirability of self-employment and students' perceived entrepreneurial self-efficacy on self-employment intentions of undergraduate students?

### 1.2.1 Theoretical framework of the study

The study based on the conceptual framework developed by taking different factors identified to be important in the enterprise formation or entrepreneurship development intention. The study used a quantitative, descriptive design based on entrepreneurial intention models (Shapero, & Sokol; 1982, Ajzen; 1991, Krueger, & Brazeal; 1994) where data were collected to assess the entrepreneurial inclination of a group of technical and non-technical students. These factors are demographic characteristics, Subjective norms (social influences) perceived desirability of self-employment, perceived entrepreneurial self-efficacy, university environment, attitude and perceived educational support.



**Figure 1.1 proposed model of entrepreneurial intention**

## **1.3 Objectives of the Study**

### **1.3.1 General Objectives**

This study aims at seeking to understand whether entrepreneurial inclinations exist among university students. It strives to help in establishing if the drive toward entrepreneurship prevails among the same students.

### **1.3.2 Specific objectives**

More specifically, the study aims at the following objectives

1. To describe and evaluate the role of individual trait variables as a precursor to entrepreneurial intentions.
2. To examine social influences in shaping entrepreneurial intentions among students.
3. To evaluate the influence of demographic variables especially gender and family background in determining entrepreneurial intention.
4. To examine the influence of undergraduate students' perceived desirability of self-employment and students' perceived entrepreneurial self-efficacy on self-employment intentions

## **1.4 Significance of the Study**

This research will be very useful for Policy makers and academicians. Because the findings of this research can influence policy changes and helps to identify the way to increase entrepreneurial intention among students as well as to answer some academic questions and/or to use them as a reference for further study in higher education entrepreneurship policy formulation in general and specifically in unemployment reduction, and developing a generation with a feeling of self-worth, creative and self-reliant. It will also be very useful for sponsors and other development agents for easy intervention by identifying the main opportunities and barriers which the higher education students' will face after graduation in running their own business in particularly. Besides, the study will help researchers to derive new knowledge and enhance their existing knowledge about the situation of the Entrepreneurial intention in Ethiopia, specifically in Higher Education institutions.



## 1.5 Scope of Study

The phenomenon of interest is the students' entrepreneurial intentions. In order to keep the study manageable, it will important to draw a clear focus of the study and leave other aspects as found in other entrepreneurial intention researches. The empirical study used only students of selected Universities as the unit of analysis as a special segment for data collection. The sample frame excluded students that are pursuing Masters and PhD Degree. In this study having entrepreneurial background will not considered in the sense that this study did not aim at establishing measures to determine entrepreneurship among individuals as an actual activity of setting up a business firms. The study makes it clear that an intention could be necessary to start one's own firm but that does not guarantees actual business set up or success of such business and it might not be the right choice for the respective individual. The scope of the study restricted to assessing indicators of intentions and entrepreneurial potentials among university students'.

This study used a quantitative, descriptive design based on entrepreneurial intention models developed by different authors,(Shapero, & Sokol; 1982, Ajzen; 1991, Krueger,& Brazeal; 1994) where data were collected to assess the entrepreneurial inclination of a group of technical and non-technical students(that means Business and Technology students). A survey instrument was designed specifically for this study. The instrument used comprised of demographic variables, entrepreneurial intent, Subjective norms (social influences), Perceived desirability of self-employment, perceived entrepreneurial self-efficacy, university environment, attitude and perceived educational support

## 1.6 Limitations of the Study

There are number of limitations in this study. Firstly, the respondents were limited (210) respondents or (samples) in terms of size and composition. Secondly, the data collection was restricted to only four Universities, which may fail to represent the actual scenario of the whole Universities found Ethiopia. Entrepreneurial intention models developed by (Shapero, & Sokol; 1982, Ajzen; 1991, Krueger,& Brazeal; 1994) with some modifications was used and difficult to include all variables that may affect student's Entrepreneurial intentions. Finally, the accuracy of the analysis heavily relied on the data provided by the students who took business and Entrepreneurship course in selected universities.



## **1.7 Definition of basic terms**

**Intentions:** - reflect an individual's willingness or plans to engage in a particular behaviour,

**Self-efficacy:** - is an individual's faith in his or her capacity to perform successfully across a variety of diverse situations

**Subjective Norm:**-refers to the perceived social pressure from one's peers and 'significant others' impacting one's intention to perform or not to perform a specific behavior

**Attitude toward the behavior:** - refers to the degree to which an individual has a desirable or undesirable appraisal of the behavior of concern.

**Perceived desirability of entrepreneurship:** - is an affective attitudinal judgment (an emotive response) and entrepreneurs use such judgment to make decisions on whether or not to act.

**Entrepreneurial self-efficacy:** defined as confidence in one's ability to successfully perform entrepreneurial roles and tasks.

# CHAPTER TWO

## REVIEW OF RELATED LITERATURE

### 2.1 Definitions of Entrepreneurship

A number of researchers have attempted to identify relevant outcomes linked to enterprise formation or Entrepreneurship. Vast (1997) tells us the word entrepreneur to be derived from a French word entrepreneur, it means to “*undertake*”. Entrepreneurship is understood in a wide social, cultural and economic context. It involves life attitudes, including the readiness and the courage to act in the social, cultural and economic contexts (Hafterdorn and Caremala, 2003). Schumpeter (1934) defined entrepreneurial functions in terms of innovation- to do new things, and to do them in a novel way. This includes doing similar thing in a new ways; producing new products; discovering new markets; employing new management strategies; etc.

Stein Kritiansen (1996), on the other hand describe some qualities which he believes are entrepreneurial behaviours: creativity and curiosity, motivation by success, willingness to take risk, identification of opportunity, ability to cooperate, and tolerance of uncertainty to be entrepreneurial qualities that make one pursue entrepreneurship.

Similarly, Schumpeter J (1934); Drucker P. (1985); Hagen (1962); McClelland D. (1961) and Haftendorn and Salzano (2003) gave a wider view of entrepreneurship in relation to innovation, need for achievement, need for autonomy and control.

Jeffrey a. Timmons, professor of Entrepreneurship, on the other hand, looked at the concept of entrepreneurship in the way put below (Peter Drucker, 2003):

*"Entrepreneurship" is a human activity, creative act that builds something of value from practically nothing. It is the pursuit of opportunity regardless of the resources, or lack of resource at hand. It requires a vision and the passion. It also involves willingness to take calculated risk."*

Charles R. (2005) identified three cases wherein one can be considered as an entrepreneur. First, the enterprises established on new concept/ new business in which the entrepreneur develops new idea and new product. Second, those people who venture a new business in the area where they start a business to compete. Third, those who buy the existing business along with the existing concept are also considered to be entrepreneurs for taking a personal and financial risk.

This research paper, however, adopts the definition of entrepreneur given by Stevenson(1989, 1997) which means the process whereby individuals become aware of business ownership as an option or viable alternative, develop ideas for business, learn the process of becoming an entrepreneur and undertake the initiation and development of a business”

## **2.2 Entrepreneurship Education**

Worldwide, the increasing awareness of the importance of entrepreneurship from public authorities has contributed to the continued growth in the numbers of colleges and universities offering entrepreneurship courses. Given that these educational programs are developed to teach and encourage entrepreneurial behaviour understanding their impact on the factors that influence and shape individuals’ intentions to choose self-employment as a career are critical.

Entrepreneurship education is an important component of business school education Kolveroid and Moen, (1997) providing a stimulus for individuals making career choices to consider self-employment thereby increasing new venture creation and economic growth. Research in the field of entrepreneurship education is still developing with the first dedicated conference ‘IntEnt’ (Internationalizing Entrepreneurship Education and Training) taking place in 1994. The complex question of ‘how to learn’ and ‘how to teach’ entrepreneurship Fayolle and Klandt, (2006) continues to drive this stream of research. Several studies support the idea that elements of entrepreneurship can be experientially acquired and taught (Drucker, 1985; Gorman, Hanlon and King, 1997; Kuratko, 2005; Rondstat, 1987) and therefore highlight the notion that individuals’ entrepreneurial intentions can be influenced by training and support (Henry et al., 2003). Along with these findings comes the challenge for academics to provide useful and effective entrepreneurship education with the aim to providing students the skill-set and entrepreneurial attitude required to enable them to develop careers in enterprise.

In response to the growth and availability of entrepreneurship education, there have been an increasing number of students showing interest in entrepreneurial careers (Brenner et al., 1991; Kolveroid, 1996), yet despite a few of the notable studies mentioned earlier, empirical research exploring the impact of such programmes, including the influence of participants’ previous

entrepreneurial experience towards attitudes and perceptions of self-employment has been limited.

### **2.3 Factors Affecting Entrepreneurship Development**

Most scholars mention educational systems, socio cultural and economic factors as having a strong influence on the development of entrepreneurial behaviour of a given society. For instance, Ardichvilia, Cardozo and Ray (2000), identified the Major factors that influence this core process of opportunity recognition and development leading to business formation to be: entrepreneurial alertness; information asymmetry and prior knowledge; social networks; personality traits, including optimism and self-efficacy, and creativity; and type of opportunity itself. Similarly, Haftendorn and Salzano (2003) stresses the socio cultural factor due to the fact that cultures that encourage entrepreneurial behaviour – curiosity, motivation by success, willingness to take risk, identification of opportunity and tolerance of uncertainty; tend to promote entrepreneurship development while those cultures that are against these entrepreneurial behaviours are less likely to develop entrepreneurship.

According to (Desai 1997) the framework of conditions for entrepreneurial development include the availability of financial resources for starting new business ventures, government policies and programs to support new business ventures, and programs to support new business ventures, the level of education and provision of training for those who wish to be or already are entrepreneurs, access to professional support service and physical infrastructure, internal market openness, as well as cultural and social norms. Rutashobya and Olomi (1999) identified four factors that have the potential to influence entrepreneurial behaviour and outcomes. The first factor is the personal characteristics and psychological make-up of the individual. The second factor is the feature of the business where the entrepreneur operates, such as the age, size, form of ownership and others. Third, the strategies, practices and system adopted by the entrepreneur. Fourth, the external environments like economic, political and socio-cultural variables.

Ardichvilia, Cardozo and Ray (2000) tried to build a theory of entrepreneurial opportunity identification based on empirical studies in the area of entrepreneurial opportunity identification and development. According to them “opportunity development” rather than “opportunity recognition,” should be the focus in the effort to develop entrepreneurship. Another scholar,

Doss and Mazzarol (2004) believes that triggers and barriers influence the intention, and ultimately the decision, to launch the business (when triggers prevail over barriers) or to give up the idea (when barriers prevail over triggers).

Desai (1999) explores five the most common factors that encourage someone to be an entrepreneur. These are early childhood experiences, the need to gain control over an uncertain world, frustration with traditional organizational careers, challenge and excitement; and the moral encouragement of role models.

Lerner, Brush and Hisrich, (1997), on the other hand, give emphasis to five perspectives and the demographic variables which refer to the individual level variables, which are expected to be differentially associated with performance. These five perspectives are: (a) motivations and goals, (b) entrepreneurial socialization, (c) network affiliation, (d) human capital, and (e) environmental factors.

This study, therefore, will be based on the conceptual framework developed by taking different factors identified to be important in the enterprise formation or entrepreneurship development intention. These factors are demographic characteristics, individual behavior (psychological make-up), human capital enterprise situation and entrepreneurial environment. When it comes to the socio-cultural environment of Ethiopia, Andualem (1997) argues there is a dearth of entrepreneurship in Ethiopia due to the past cultural background in which trading was considered a despised means of earning an income.

This study, therefore, will try to investigate what determine higher education students' entrepreneurial intention in Ethiopia.

## **2.4 Entrepreneurship Development in Ethiopia**

In Ethiopia the establishment of micro and small enterprises serves as the base for entrepreneurship development. Considering the above facts, the development of micro and small enterprises becomes a special focus of the current government of Ethiopia, given that they comprise the largest share of total enterprises and employment in the non-agricultural sectors. As a result the governments created a favorable environment for young people to organize themselves and engage in business activities to supply inputs for the government owned projects. Besides, in recognition of the important role MSEs have to play in creating income, employment opportunities and in reducing poverty, the government drafted its first MSEs development Strategy in 1997.

However, Ethiopia MSEs are confronted by many problems, which have a negative impact on the utilization of the sector for economic development and poverty reduction (Gebrehiwot and Wolday, 2004). It is obvious these problems will be more challenging for the young who have less experience and knowledge about how to handle them.

However, unlike the other countries, which have the experience of youth entrepreneurship development, Ethiopia lacks an institution or organization working specifically on youth entrepreneurship development.

With regard to the empirical research of entrepreneurship development in Ethiopia; most of the researches were focused on concepts and definitions of entrepreneurship development. Some of the researches also focused on enterprise scanning and general assessment of MSEs in Ethiopia. For instance, the study made by Andualem T. (1997), mainly focuses on concepts and definitions of entrepreneurship development. This research indicated that the overall socio-cultural and economic environment of the country is not conducive to entrepreneurship development. As a result he suggested that the general entrepreneurship environment should be crafted to be conducive to the development of MSEs and entrepreneurship. The research has also recommended for the establishment of appropriate institutions and facilities to enhance entrepreneurship.

Another study by Taye (1997), which focuses on the role of association in entrepreneurship development, also suggested the importance of association for MSE owners to gain power to negotiate with policy maker to address their problems.

Moreover, the study pointed out the importance of consultation between government and associations of MSEs to abolish the existing policy bottlenecks and constraints that the MSEs encounter. A comparative study on the development of small scale industries in Addis Ababa and other regions was also made by Assefa in 1997 and the result of the study suggested that promotion of entrepreneurship, particularly among the young, is of vital importance for Ethiopia where self employment is likely to be the only route open to people in the adult life. Therefore, to achieve this he recommended that appropriate infrastructure, access to finance, appropriate human resource development programs, tax holiday and proper regulatory frameworks are the major ingredients for success of MSEs Development.

More specific research studies were also undertaken in the country in relation to entrepreneurship development in MSEs. For instance, Fekadu and Daniel (1997) focused on the access to finance for MSEs and they found out that the credit facility for MSEs in the country is very poor and it requires more attention for the development of the sector. Adugna (1997) also studied the influence of policy in the development of MSEs and the result of the study indicated the existence of structural problems in the sector such as concentration of outputs, technologies and infrastructure facilities.

In conclusion, there is an increasing interest by many researchers in the country to assess the situation of entrepreneurship development and enterprise formation in the country. But almost none of the researches done in the country have emphasized higher education students' entrepreneurial intention. Recognizing this research gap this study is aimed at identifying entrepreneurial intention of higher education students in the country



## 2.5 Development of the Research Model

### 2.5.1 Shapero's Entrepreneurial Event (Shapero And Sokol, 1982)

The intentions models of Shapero and Sokol (1982) and Ajzen (1991) discussed earlier (see Figures 2.1 and 2.2 below) have included additional variables to those used in this study and have been implemented in several studies dealing with the antecedents to entrepreneurial intention (Kolveroid and Isaksen, 2006).

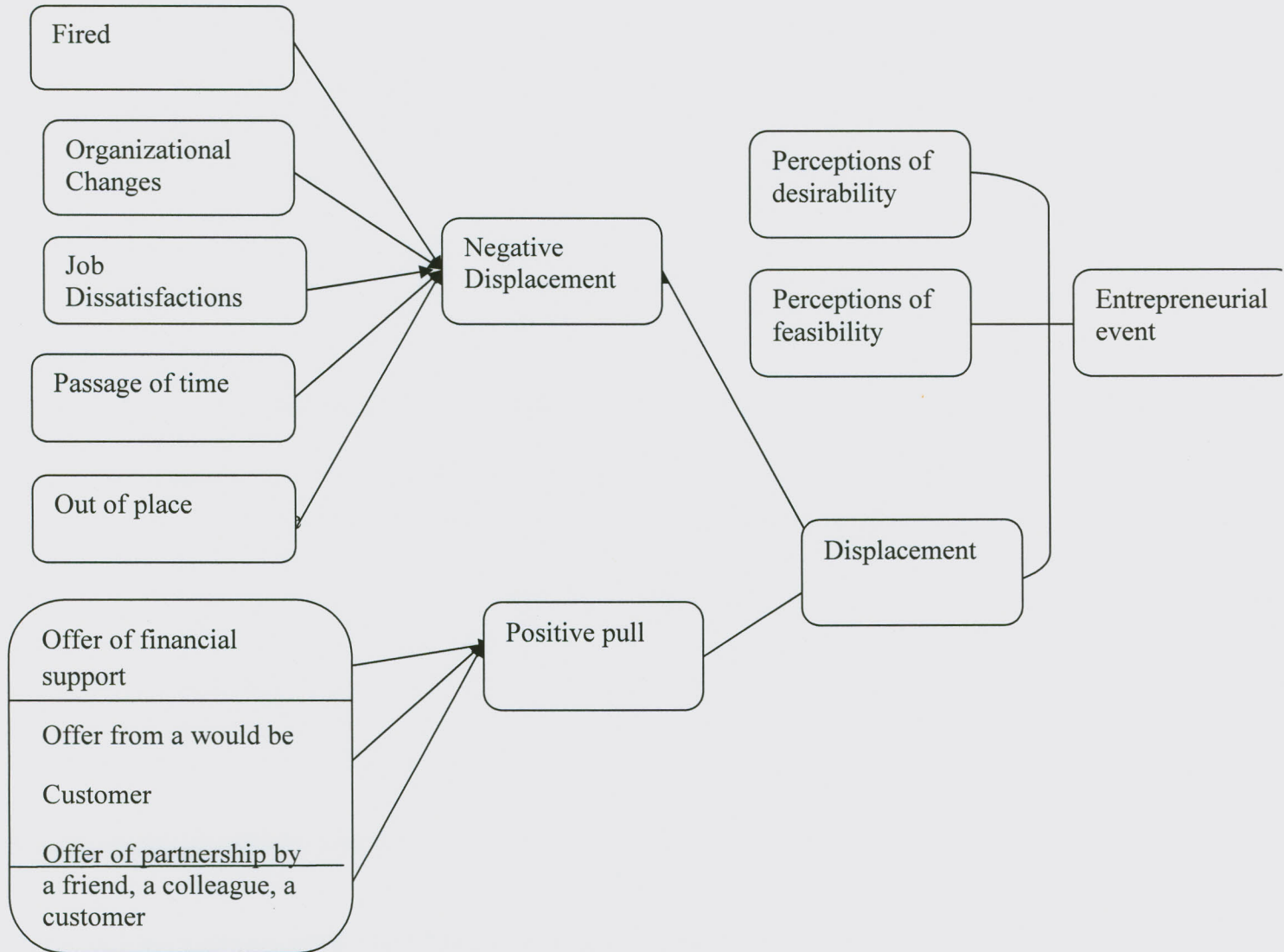


Fig. 2.1 Shapero's Entrepreneurial Event (Shapero and Sokol, 1982).

### 2.5.2 Theory of Planned Behavior (Ajzen, 1991).

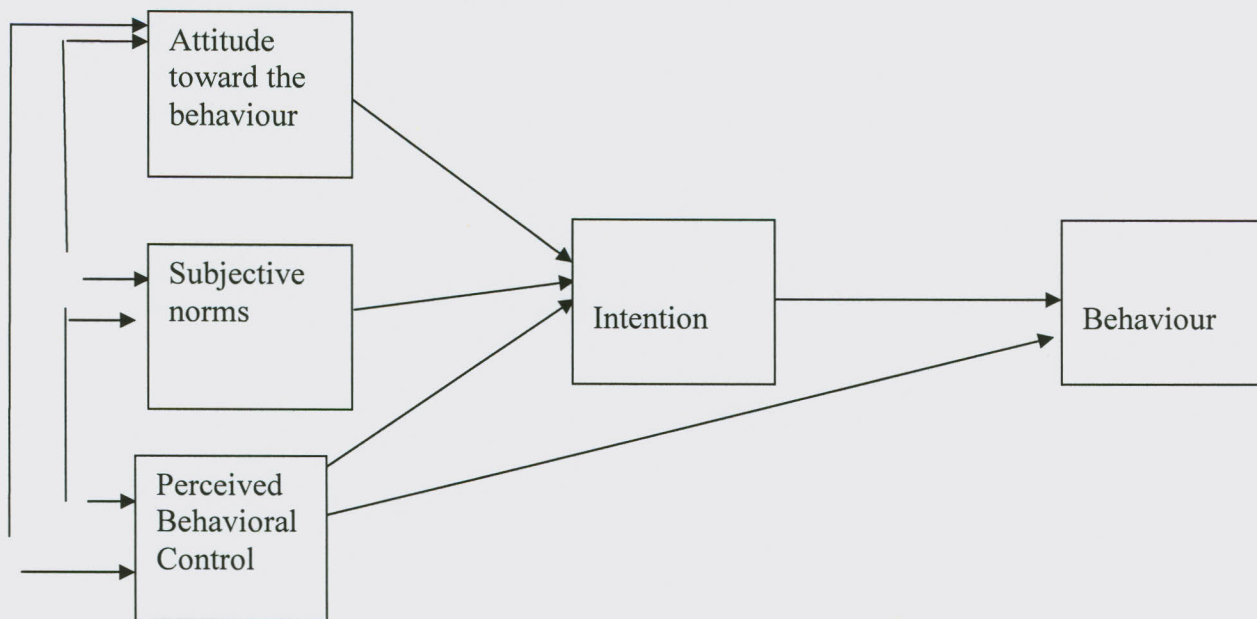


Fig 2.2 Theory of Planned Behavior (Ajzen, 1991).

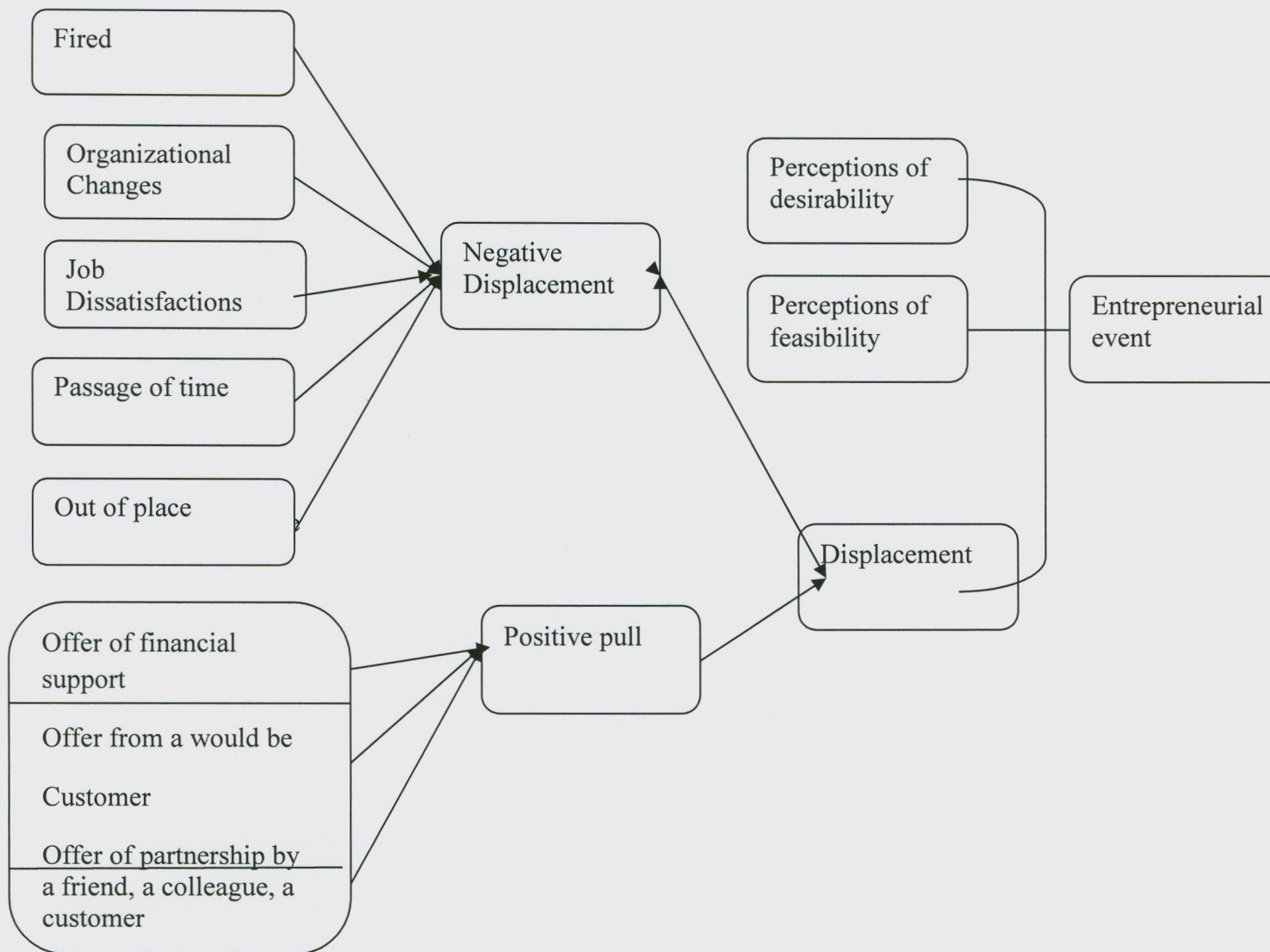
## 2.6 Foundation Theories

Three cognition-based theories are used in this study to provide theoretical and empirical support for the proposed model. Across all three theories, an individual's perceptions, or cognitions, serve as the primary explanatory mechanism for the formation of intentions. The three theories, Shapero's Entrepreneurial Event (SEE) (Shapero and Sokol, 1982), The Theory of Planned Behaviour (TPB) (Ajzen, 1991) and Social Cognitive Theory (SCT) (Bandura, 1986) are discussed in turn in this section.

### 2.6.1 Shapero's Entrepreneurial Event Theory

To consider how entrepreneurial intentions are evident in 'entrepreneurial event formation' Shapero and Sokol (1982) looked at life path changes and their impact on the individual's perceptions of desirability and perceptions of feasibility related to new venture formation (See Figure 2.3 below). This model assumes that critical life changes (displacement) precipitate a change in entrepreneurial intention and subsequent behavior. Displacement can occur in a negative form (e.g. divorce, loss of a job) or a positive form (financial support, good business partner). The intention to become self-employed and form a new venture (an entrepreneurial

event) therefore depends on the individual's perceptions of desirability and feasibility in relation to that activity.



**Figure 2.3 Shapero's Entrepreneurial Event**

### 2.6.1.1 Displacement

In Shapero's model (figure 2.3) displacement is the catalyst for a change in behaviour and the individual then makes a decision to act based on perceptions of desirability and feasibility.

This model suggests that human behaviour is in a state of inertia until an event creates displacement resulting in behavior change (Nabi et al., 2006). Displacement comes in either a

negative or positive form described by Gilad and Levine (1986) as the 'push' theory and the 'pull' theory. The negative displacement for example, losing a job pushes an individual into self-employment.

On the other hand, the positive displacement, for example, financial assistance pulls an individual into self-employment. Unfortunately, empirical studies of these specific push and pull factors are limited with results offering little predictive ability (Krueger et al., 2000) and logically, displacement may cause other behaviors' than self-employment. An interesting question arising from the concept of 'push factors' is – Is there enough time for a trigger event to occur in the period in which a student takes a subject in entrepreneurship? Participation in a fourteen week entrepreneurship subject is tested as a 'trigger event' in the research in this thesis and is discussed further in Section 2.5 - Entrepreneurship Education.

#### **2.6.1.2 Perceptions of Desirability of Entrepreneurship**

According to Shapero and Sokol (1982) the entrepreneurial event is a product of an individual's perceptions of desirability of entrepreneurship affected by their own personal attitudes, values and feelings, which are a result of their unique social environments (eg. family, peer groups, educational and professional influences). In other words, an individual needs to first see the act of self-employment as desirable before it is likely self-employment intentions will be formed.

Furthermore, Bird (1988) considered desirability to be formed through 'intuitive thinking' in the intentions process, and feasibility, discussed next, as 'rational thinking'. Perceived desirability of entrepreneurship is an affective attitudinal judgment (an emotive response) and entrepreneurs use such judgment to make decisions on whether or not to act (Mitchell et al., 2002). It follows that a goal of entrepreneurship education would be to develop in students, a positive attitude towards entrepreneurship. Perceived desirability of self-employment is one of the constructs used in the revised model in the research in this study.

#### **2.6.1.3 Perceptions of Feasibility of Entrepreneurship**

According to Shapero's Entrepreneurial Event, (Shapero and Sokol, 1982), an individual's perception of feasibility of entrepreneurship is related to an individual's perception of available resources (eg. knowledge, financial support, and partners). Based on the Shapero-

Krueger framework (Krueger et al., 2000), entrepreneurial self-efficacy is a suitable proxy for perceived feasibility (Segal et al., 2005). Furthermore, McMullen and Shepherd (2006) stated that belief in the ability to pursue entrepreneurial action (perceived feasibility) is a function of entrepreneurial knowledge.

Shapero and Sokol (1982) p. 86, make the point that both perceptions and feasibility and desirability necessarily interact. That is, if an individual sees the formation of a new business as unfeasible they may conclude it as undesirable and vice versa. It is therefore possible that students' attitude toward self-employment may be positively impacted by participation in entrepreneurship education; however, in the absence of perceptions of feasibility (belief in one's ability to self-employed, and or the ability to acquire necessary resources) self-employment intentions may not eventuate. Conversely, students' perceptions of feasibility may be positively impacted by participation in entrepreneurship education, but without a desirability to be self-employed, again, self-employment intentions may not be formed.

### 2.6.2 The Theory of Planned Behaviour

The Theory of Planned Behaviour (Ajzen, 1991), was derived from the Theory of Reasoned Action (Fishbein and Ajzen, 1975), see Figure 2.4, which states that behavioral intentions are formed by one's attitude toward that behaviour and one's subjective norms – (i.e. influence by significant others - e.g. parents, peers, role models). In turn, both attitudes and subjective norm are influenced by evaluations, beliefs, and motivation formed through one's unique individual environments.

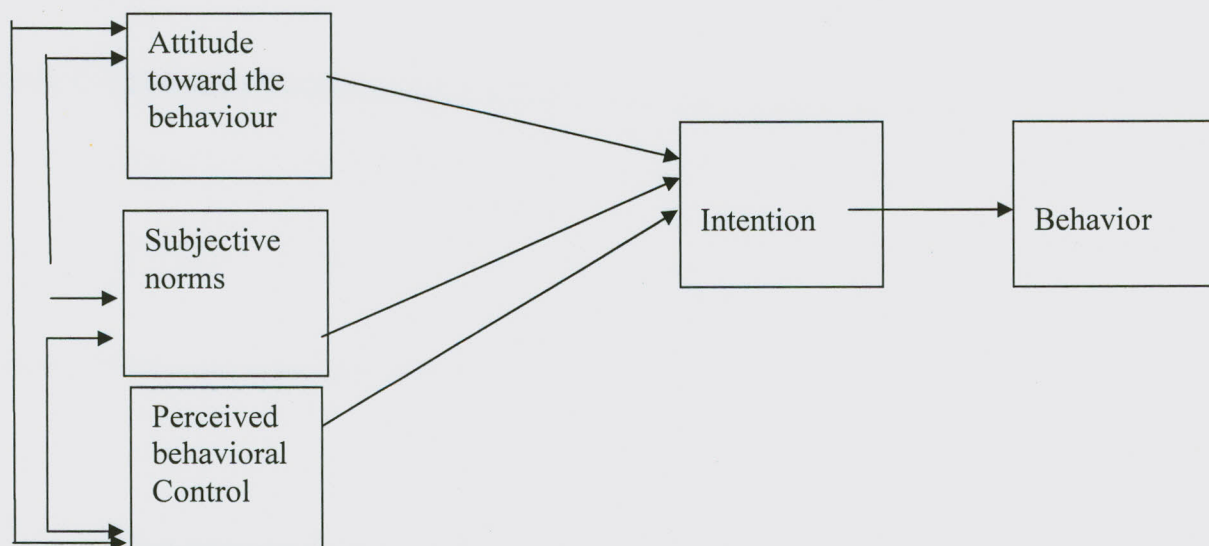


Figure 2.4 The Theory of Planned Behaviour (Ajzen, 1991).



In the model in Figure 2.4, intention is shown as the immediate antecedent of behaviour, however in reality we know that not all intentions are ultimately carried out. In some cases an individual may not be able to follow through with the desired behaviour due to external factors, despite having the intention to do so. On the other hand, the attitude-intention link is internal and in general is less affected by dynamic external factors (Ajzen, 1991).

### **2.6.2.1 Attitude toward the Behaviour**

Attitude toward the behaviour refers to the degree to which an individual has a desirable or undesirable appraisal of the behaviour of concern. Kim and Hunter (1993) conducted meta-analyses of 93 independent behavioural intentions studies concluding by confirming strong empirical support for the attitude-intentions relationship. In their study, behaviours were divided into nineteen different topics; examples include intention to vote (Shepherd, 1987); intention to have a child (Davidson and Jaccard, 1979); intention to donate blood (Zuckerman and Reis, 1978); and intention to cheat or copy another's work (DeVries and Ajzen, 1971). As expected, the relationship between attitude and behavioural intention was stronger than that between behavioural intention and ultimate behaviour, due in part to the effect of external factors as noted by Ajzen (1991). The perceived desirability measure in Shapero's Entrepreneurial Event (SEE) (Shapero and Sokol, 1982), is similar to the dimension of attitude in Ajzen's (1991) Theory of Planned Behaviour (TPB).

### **2.6.2.2 Subjective Norm**

In addition to attitudes influencing behaviour through intentions, Ajzen (1991) refers to the perceived social pressure from one's peers and 'significant others' impacting one's intention to perform or not to perform a specific behaviour as 'subjective norm'. Krueger et al. (2000) included this measure in their entrepreneurial intentions model and subsequently did not find a relationship between an individual's subjective norm and intention to start a business, calling for more studies with more reliable measures in this research domain. Furthermore, it is reasonable to assume that this dimension of subjective norm may already be accounted for in one's perceived desirability of performing a specific behaviour.

### **2.6.2.3 Perceived Behavioral Control**

As outlined, the Theory of Planned Behaviour is an extension of the Theory of Reasoned Action, earlier work by (Fishbein and Ajzen 1975). The extended version included the addition of perceived behavioural control to account for situations where non-motivational factors play a role in attitude turning into action (eg. lack of financial resources may alter perceived behavioural control turning into intention if the behaviour was, for example, to purchase a car). Other examples of inhibiting factors might be - lack of time, lack of knowledge and skills, and lack of co-operation from others.

Perceived behavioural control has also been referred to as feasibility, in particular in studies measuring entrepreneurial intention (Krueger and Brazeal, 1994; Krueger et al., 2000; Peterman and Kennedy, 2003). Bandura's (1977, 1982) self-efficacy measure is too considered very similar to perceived behavioural control (Ajzen, 1991; Summers, 2000) as it reflects an individual's personal judgments of their ability to perform a prospective behaviour. Self-efficacy measures have been used instead of perceived behavioural control within the Theory of Planned Behaviour in several studies with positive results (Connor and Armitage, 1998). Self-efficacy and perceived entrepreneurial self-efficacy are discussed further in relation to Social Cognitive Theory (Bandura, 1986).

Furthermore, Ajzen (2001, p. 48) stated that perceived behavioural controllability, whilst similar, can be seen as distinct from perceived self-efficacy and that the latter may be a more important antecedent of intentions and actions. In 2002, Ajzen clarified the concept of behavioural control further and highlighted the importance of incorporating self-efficacy and controllability items into intention measures to improve behaviour prediction.

### **2.6.2.4 Intentions**

Intentions reflect an individual's willingness or plans to engage in a particular behaviour, and have several antecedents as discussed in the previous sections. The ultimate purpose of intentions research is the prediction of behaviour. Psychologists have been interested in the study of behavioural intentions for many years (Assagioli, 1973; James, 1950; Lewin, 1935) and over time cognitive psychologists (Fishbein and Ajzen, 1975; Rotter, 1966; Searle, 1983) have

developed three divergent theories (Bird 1988); (1) linguistic theory, (2) attribution theory and (3) expectancy theory. The Theory of Planned Behaviour is based on the expectancy theory model whereby individuals learn to favour behaviours where they expect favorable outcomes, and to form unfavourable attitudes towards behaviors associated with undesirable outcomes (Ajzen, 1991).

#### **2.6.2.5 Predictive Ability of the Theory of Planned Behaviour Model**

The predictive ability of intentions models is dependent upon three conditions being met (Ajzen, 1991). The first condition is that the intention measure and the perceived behavioral control measure must be compatible with the behaviour that is to be predicted. In the case of the research in this study the intended 'behaviour' is entrepreneurial action in the form of 'self-employment' and the perceived behaviour control measure is entrepreneurial self efficacy.

Because situational factors or intervening events can produce changes in an individual's intentions the second condition is: That in the time between the assessment of intentions (including perceived behavioural control) and the observation of the behaviour, conditions must remain stable. This second condition does not influence the research in this study as the dependent variable of interest is intention; the consequence - behaviour is not measured in the scope of this study. The third condition concerns the accuracy of perceived behavioural control. When the individual has complete control over behavioural performance, prediction of behaviour is plausible through the use of intentions alone; however, in other situations where intervening factors may have an impact, the measurement of perceived behavioural control or in the case of the revised model in this study – perceived entrepreneurial self-efficacy, provides additional explanation and strength to behavioural intention and consequent prediction.

In summary, many researchers have used the Theory of Planned Behaviour for its predictive power and applicability across a variety of content domains including entrepreneurship.

Whilst the intentions-behaviour link is not tested in this research, it is important that support exists for this relationship to defend the need for further research into the antecedents to intentions. Intentions are signals of an individual's commitment to carry out a specific behaviour and it has been proven that intentions precede behaviour (Ajzen and Fishbein,1980). Meta-analyses research by Kim and Hunter (1993) using a path analysis methodology confirmed that

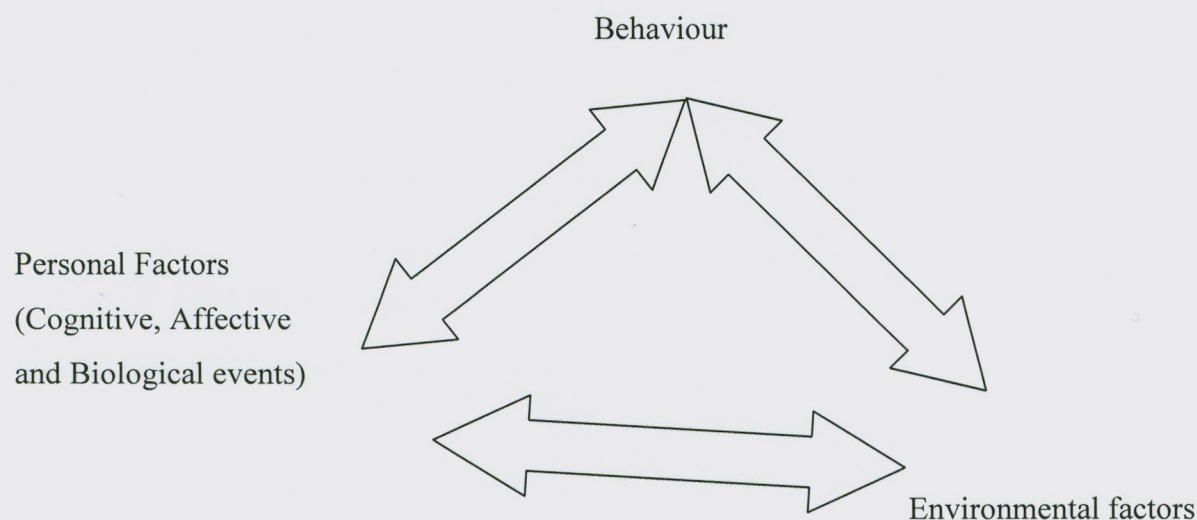


the association between attitudes and behaviour can be fully explained by attitude-intention and intention-behaviour relationships (Krueger, 2000). Based on the understanding of the belief, attitude and intention relationship, individuals' beliefs and attitudes regarding self-employment would inform their intention to become self-employed.

### 2.6.3 Social Cognitive Theory

Social Cognitive Theory (SCT), originally referred to as Social Learning Theory (Bandura, 1977), identifies human behaviour as an interaction of - a) personal factors, b) behaviour, and c) the environment (Bandura 1986). The theory provides a framework (see Figure 2.5) for understanding, and predicting a variety of types of human behaviour. Social Cognitive Theory is useful for not only understanding behaviour, but also identifying methods in which behaviour might be modified or changed (Pajares, 1997).

Furthermore, Social Cognitive Theory is the study of how learning occurs through changes in mental state (Ormrod, 1999). The theory provides guidelines that can assist instructors in the design of programs to help individuals achieve change through their own motivation by providing them with specific knowledge, skills and resources (Anderson, 2000).



**Figure 2.5 Social Cognitive Theory (Bandura, 1986)**

In the model, the interaction between the person and the environment entails one's beliefs and cognitive competencies that are developed and influenced by their environment, both social and physical. Social environment refers to family members, friends and role models; the physical environment refers to the individual's surroundings and access to resources (Pajares, 1997). The

combination of environment and behaviour, involves an individual's behaviour based on the impact of their environment, and at the same time their behaviour can also be modified by that environment. This does not necessarily mean that all individuals will follow the same pattern of behaviour given the same environment, as individuals will construe the same set of stimuli in different ways due to unique cognitive competencies and beliefs (Jones, 1989).

The interaction between the individual and a specific behaviour necessitates the influence of one's thoughts and one's actions. The three factors a) behaviour, b) environment, and c) person are constantly influencing each other. Neither one is necessarily the result of the other as intervening factors may exist (Glanz et al, 2002). One such intervening cognitive factor is a person's self-efficacy. Bandura (1977) noted that self-referent thought intervenes between knowledge and behaviour and that individuals may convince themselves, despite having the necessary knowledge, that they lack the ability to perform a specific task or behaviour. This cognitive mechanism is referred to by Bandura (1977) as self-efficacy and is important in this study and is discussed in the following section in more detail.

### **2.6.3.1 Self-Efficacy**

General self-efficacy is an individual's faith in his or her capacity to perform successfully across a variety of diverse situations (Gardner and Pierce, 1998). Research into attitudes has found that one's perceptions of one's ability to perform specific tasks increase the likelihood of attitude converting into intent and consequent behaviour (Ajzen, 1991). In the absence of self-efficacy, individuals make self-limiting decisions despite having the necessary skills to pursue a path of action (Bandura, 1986).

Several authors (Scherer et al., 1982; Stanley and Murphy, 1997; Tipton and Worthington, 1984) have found general self-efficacy to be no different than self-esteem and suggest using a specific form of self-efficacy where appropriate. The difference between general self efficacy and task self-efficacy is the scope of the actions that are considered. Whilst the contributory factors for both general self-efficacy and task-specific self-efficacy are the same (i.e., actual experience, vicarious experience, verbal persuasion, and psychological states) task-specific self-efficacy is considered a more reliable measure of efficacy beliefs in specific task behaviours

(Bandura, 1997; Locke and Latham, 1990). For example, computer self efficacy refers to ones' judgment of their capabilities to use computers in diverse situations (Marakas et al. 1998).

Boyd and Vozikis (1994) stated that self-efficacy is a valuable addition to entrepreneurial intentions models seeking to explain more about the development of entrepreneurial intentions. It follows that entrepreneurial behaviour would be considered specific task behaviour and that studies would be more reliable utilizing the task-specific construct entrepreneurial self-efficacy (ESE). Perceived entrepreneurial self-efficacy is one of the constructs will be tested in this study and is concerned with one's belief in one's ability to be entrepreneurial in the form of self-employment; this construct is discussed in the following section in terms of its relationship with students' self-employment intentions

### **2.6.3.2 Perceived Entrepreneurial Self-Efficacy**

As stated earlier, Boyd and Vozikis (1994) revised Bird's (1988) entrepreneurial intentions theoretical model and included self-efficacy as a critical antecedent to entrepreneurial intentions and behaviour. Chen et al. (1998) and Zhao et al. (2005) found a positive relationship between entrepreneurial self-efficacy and intentions to start a business. In their studies entrepreneurial self-efficacy was defined as confidence in one's ability to successfully perform entrepreneurial roles and tasks. In Chen et al.'s (1998) study individuals with high entrepreneurial self-efficacy are more likely to be entrepreneurs than those with low entrepreneurial self-efficacy. Given that we know that an individual's self efficacy can be influenced (Bandura, 1986), it is reasonable to suggest that the pedagogical practices experienced by students in entrepreneurship course may positively impact their levels of entrepreneurial self-efficacy. It follows that previous entrepreneurial experience may also lead to increased levels of entrepreneurial self-efficacy given the opportunities provided for role-modeling and learning through doing (enactive mastery), (Bandura, 1986).

Several studies have found that task-specific training positively impacts an individual's task specific self-efficacy (Gist and Mitchell, 1992) and correspondingly Bandura's (1980) Social Cognitive Theory has established that self-efficacy plays an important role in career-related decision making. The task-specific construct – entrepreneurial self-efficacy is useful in

measuring an individual's perceptions relating specifically to entrepreneurial behaviour. The contributing factors of general self-efficacy and entrepreneurial self-efficacy are the same (i.e. actual experience, vicarious experience, verbal persuasion, and psychological states (Bandura, 1997), and it is the summation of life experiences including specific training and work experience that may lead to the enhancement of entrepreneurial self-efficacy.

In summary, these assumptions are developed in this study, providing important information regarding the impact of attitude, social norms, environment, demographic factors and university on students' intentions to be self-employed.

## **2.7 Trait Orientation**

The trait approach to entrepreneurship has been pursued by many researchers in an attempt to separate entrepreneurs from non-entrepreneurs and to identify a list of character traits specific to the entrepreneur. There is no agreement however on the number of traits, specific to the entrepreneur, or their validity. Chell (2000) suggests that it is not clear whether some of the studied attributes precede entrepreneurial behaviour or whether entrepreneurs acquire them in the process. Furthermore, entrepreneurs may possess some, but not necessarily all, of the traits highlighted in the literature bringing us to the conclusion that not one stereotypical personality model fits.

### **2.7.1 McClelland's Contribution**

McClelland (1961) developed further Max Weber's work (1904/1970) on society and economic development stating that a nation's and correspondingly an individual's 'need for achievement' (nAch) was fundamental to economic development. Need for achievement in relation to entrepreneurs refers to their need to achieve as a motivational factor. Anecdotal evidence suggests entrepreneurs see profits as a measure of success and not just as a goal. It is the prospect of achievement (not money) that drives them. In his study McClelland discovered that entrepreneurs rated high on (nAch) and were very competitive when their results were measurable. Individuals demonstrating a high need for achievement are focused, committed, and have a real desire to do well in all they do in life. McClelland (1965) presents a strong argument in support of the view that achievement motivation can be taught (Henry et al., 2003). This is important and relevant for entrepreneurship educators to understand in the development of entrepreneurship pedagogy.

Individuals with a need for affiliation like to feel part of a group and need to develop and foster a wide range of social and personal relations (Wainer and Rubin, 1969). Approval of their peers is very important to them. Need for affiliation (nAff) was also identified by McClelland (1961) to be a relevant entrepreneurial characteristic, however in later work by McClelland (1965), he points out that approval-seeking behaviour is at odds with other characteristics related to entrepreneurs, eg. Propensity for risk-taking and need for power (nPow). A high need for power (nPow) score indicates a strong desire for control and dominance; it stands to reason therefore that entrepreneurs possessing this trait would enjoy the status associated with business ownership (Henry et al., 2003). In contrast, Hatch and Zweig (2000) predominantly considered a high need for power (nPow) as the need to be in control, to influence group decisions and to lead, linking it more closely to motivation.

Notwithstanding the significant contribution made by McClelland to the psychological traits in entrepreneurship research, as with other entrepreneurial characteristics, consistent causal associations are yet to be proven (Brockhaus, 1982).

### **2.7.2 Internal Locus of Control**

Individuals possessing an internal locus of control believe they are in control of future events and outcomes as a result of their own actions (Cromie, 2000). Locus of control theory was developed by Rotter (1966) and since then several researchers have investigated entrepreneurs in relation to this trait (Shapero, 1975; Chell et al., 1991; Cromie and Johns, 1982).

Entrepreneurs have been found to have the tendency to attribute outcomes to their own personal action, choosing their own destiny, not submitting to the pressure of social norms (Bird 1988). In contrast, evidence from other researchers (Begley and Boyd, 1987; Brockhaus, 1975; O’Gorman and Cunningham, 1997; Sexton and Bowman, 1985) has not been positive on this trait and it can be concluded that whilst entrepreneurs possessing an internal locus of control might be distinguishable from the general population, entrepreneurs do not consistently show a higher internal locus of control than managers. Chen et al. (1998) found entrepreneurial self-efficacy to better distinguish entrepreneurs from managers than the measure locus of control.

### **2.7.3 Desire for Autonomy**

Due to entrepreneurs' internal locus of control as described above, they have been found to have a higher need for independence and autonomy in fear of external control from others (Kirby, 2003). They dislike rules and tend to work out how to get around them, and as a consequence have even been considered deviants who desire to be independent of everyone and in total control (Kets de Vries, 1977). The need for autonomy has been stated by entrepreneurs as one of the most frequent explanations for new venture creation and has been supported in studies by several authors (Davidsson, 1995; Lawrence and Hamilton, 1997; van Gelderen and Jansen, 2006). The samples in the studies by these authors have included individuals already in an employed position who may be more likely to seek autonomy as a motivation for self-employment than tertiary students completing study and seeking a career.

### **2.7.4 Tolerance of Ambiguity and Uncertainty**

This personality trait affects an individual's response to uncertainty (MacDonald, 1970). When viewed as a continuum, an individual's response to uncertainty can range from terrifying for those with low tolerance, to positively stimulating for those with a high tolerance for ambiguity. McMullen and Shepherd (2006) posit that uncertainty, as a stream of research in the entrepreneurship literature, has taken two paths. One path is the level of uncertainty about an unknown future for those deciding to act or not (Busenitz, 1996; Gaglio and Katz, 2001; Kirzner, 1979). The second and most popular path is the view of an individual's willingness to bear uncertainty as an attitude toward risk-taking (Douglas and Shepherd, 2000; Knight, 1921; Schumpeter, 1934). Either way, an individual requires knowledge (to evaluate the level of uncertainty) and motivation (as a willingness to bear uncertainty). McMullen and Shepherd (2006) argue that a willingness to bear the perceived uncertainty associated with entrepreneurship can be seen as a belief-desire configuration similar to that of entrepreneurial intentions models. That is, desire of pursuing entrepreneurial action is a function of motivation, and belief in the ability to pursue entrepreneurial action is a function of knowledge. Mitton (1989) suggested that entrepreneurs seek the excitement of ambiguous situations in order to challenge themselves. This tolerance for ambiguity tends to go hand in hand with entrepreneurs' risk taking propensity.

### **2.7.5 Risk Taking Propensity**

An individual's risk-taking propensity can be defined as their inclination to accept risk comfortably (Brice, 2002) and is related to achievement motivation discussed earlier. Stewart and Roth (2001) looked at the risk propensity differences between entrepreneurs and managers in a meta-analysis of twelve studies of entrepreneurial risk-taking propensity. Five of the studies showed no significant differences, with the remaining seven supporting the notion that entrepreneurs are moderate risk-takers. Across the twelve studies, five different risk-propensity measures were used, and one of the reasons attributed to the lack of consensus in the research results is methodological issues (Shaver and Scott, 1991). Simon et al. (2000) suggest that factors affecting an individual's perceived risk assessments include cognitive biases such as, overconfidence and the illusion of control. In their study, heuristics were stated to play a role in risk evaluation and it follows that an individual's previous entrepreneurial experience would be an important factor in this process.

In summary, the trait approach to entrepreneurship has made an important contribution even though generally speaking, weak direct relationships have been found between the traits of entrepreneurs and non-entrepreneurs in the past research (Brockhaus, 1982; Begley and Boyd, 1987; Low and MacMillan, 1988). Researchers accept that a reliable personality profile of the typical entrepreneur does not exist (Chell, 2000) and given the suggestion that it is not clear whether some of the studied attributes precede entrepreneurial behaviour or whether entrepreneurs acquire them in the process, stable personality characteristics have not been a focus in this research.

Gartner's seminal piece in 1988 titled "Who is an entrepreneur is the wrong question" signaled the beginning of the shift away from the personality traits research in the field, discussed in this section. Baum, Locke and Smith (2001) developed a multidimensional model of venture growth and concluded that traits were important predictors of venture growth, however not in isolation, but through mediating factors such as motivation and strategy. Thus, the psychological approach in entrepreneurship research has moved away from the investigation of personality traits alone, to the exploration of behaviour, motivation and cognition (Shaver and Scott, 1991). 2.4.2

## **2.8 Entrepreneurial Intentions**

Entrepreneurial intent refers to the intent to perform entrepreneurial behaviour. Entrepreneurial intention has been defined as the intention to start a new business (Krueger and Brazeal, 1994; Zhao et al., 2005), the intention to own a business (Crant, 1996), or the intention to be self-employed (Douglas and Shepherd, 2002; Kolvereid, 1996).

For the purpose of the research in this thesis, entrepreneurial intention is defined as an individual's intention to be self-employed.

Intentions to start a business Individual (empirical) Work by Katz and Gartner (1988) and Krueger and Carsrud (1993) looked at organization level entrepreneurial intentions in relation to organizational emergence and considered the influence of institutional factors to better understand their impact. Moving to individual-level entrepreneurial intention, Bird (1988) linked the new venture's context with the entrepreneur's intentions and subsequent action. Her model of intentional action included the entrepreneur's thinking style (rational and intuitive) impacted by the entrepreneur's personal history, personality and abilities, and the state of the environment.

Furthering this theoretical work by Bird (1988), Boyd and Vozikis (1994) included the concept of entrepreneurial self-efficacy into their intentions models to better explain antecedents to entrepreneurial intentions. Empirical studies by Chen et al. (1998) and Zhao et al. (2005) continued with the inclusion of entrepreneurial self-efficacy in their intentions models and found a significant relationship between entrepreneurial self-efficacy and entrepreneurial intention. Zhao et al. (2005) also found empirical support for the positive impact of formal academic course participation on intentions to start a new business. In addition, they recommended future researchers employ a quasi-experimental design to evaluate such effectiveness and the research in this thesis takes this recommendation into account.

### **2.8.1 Self-Employment Intentions**

Phenomena such as on-line internet business and globalization have created a plethora of new opportunities for the self-employed (Spoonley et al., 2004) and we have a generation of young adults who possess an unprecedented amount of technological know-how (Olson, 2007). Individual's career patterns no longer follow traditional work norms (Lewis, 2005) and as a result, experience gained through age is not necessarily a predictor of success. It follows that youth is not a barrier to entry to self-employment and that the tertiary students of the twenty-first century may consider self-employment as a viable career option following graduation.



As previously stated, the term entrepreneurial intentions has been referred to as the intention to own a business (Crant, 1996), the intention to start a business (Krueger and Brazeal, 1994), and the intention to be self-employed (Kolvereid et al., 2006). Self-employment intentions can be viewed as the first step in the process of new organization emergence (Lee and Wong, 2004). Previous empirical research supports the view that early vocational aspirations are generally good predictors of later occupational choices (Schoon, 2001; Schmitt-Rodermund, 2004) and it is plausible that tertiary students with an interest in entrepreneurship will be likely to seek self-employment

## **CHAPTER-THREE**

### **METHODOLOGY AND DATA SOURCES**

#### **3.1 Research Design**

In this study both qualitative and quantitative approaches were used which can clearly show the clarity of the study. The study used quantitative, descriptive design based on entrepreneurial intention models (Shapero, & Sokol; 1982, Ajzen; 1991, Krueger, & Brazeal; 1994) where data were collected to assess the entrepreneurial intention of selected universities students. A survey instrument was designed specifically for this study. The instrument used comprised of demographic variables, entrepreneurial intent, Subjective norms (social influences), Perceived desirability of self-employment, perceived entrepreneurial self-efficacy, university environment, attitude and perceived educational support. These approaches will enable the researchers to collect data related to the entrepreneurial inclination of students in detail to measure and examine variables which can be correlated with entrepreneurial intention.

The study conducted on public higher Education found in Ethiopia. Currently there are 22 public universities. For this study four public universities were selected judgmentally. Researchers used systematic random probability sampling technique to collect information about students' entrepreneurial intentions.

The populations of this research were the set of students from four public universities found in Ethiopia. Survey research method was employed to collect data from selected respondents

#### **3.2 Data and Sources**

The study used both primary and secondary data. The sources of primary data were students of the sample universities. Secondary sources of data were different entrepreneurship journals and Ethiopian central statistics Authority website.

To achieve the objective, the study manipulated descriptive and empirical/ causal research methods one after the other. Descriptive method was used to evaluate the entrepreneurial intention of university students. Causal research was used to check the relationship between independent variables and dependent variable (higher education students' entrepreneurial intention)

### **3.3 Method of data collection**

Primary data was collected using survey approach. The survey questionnaire developed based on a number of issues that examined under each factor that are targeted to be analyzed. The questionnaire was self administrated. The number of items under each factor was determined as per their importance. Both open and closed ended questions were employed. Each constructs of closed ended type questions in the questionnaire were evaluated on a 5- point Likert scale. Questions related to demography of the respondents like age and sex were included in the survey. Based on demography variables responses such as age and sex, the questionnaires were filled by selected students from sample universities and representative sample were taken from all batches of undergraduate students.

### **3.4 Population and Sample of the Study**

Concerning the population of the universities, the study considered all 22 government universities of Ethiopia are considered as a target. From the given universities, four were taken as a representative samples.

### **3.5 Sample of the Study and Sampling Method**

To select the sample of respondents from the 22 universities, the combination of probability (systematic) and non-probability (judgmental) sampling methods were employed one after the other.

From all universities, four Universities were judgmental selected, because in each University there are similar operation experiences. Accordingly the selected Universities were: - Jimma, Addis Ababa, Adama and Haramaya.

From each sampled universities, two of colleges were taken as a sample from each sampled universities using judgmental sampling method. To determine sample size the researchers used

### Sample Size Determination Formula:

Description:

$$n = \frac{z^2 pq}{E^2} = \frac{(1.96)^2 (.50)(.50)}{(.05)^2} = 386$$

**n** = required sample size

**z** = confidence level at 95% (standard value of 1.96)

**E** = margin of error (maximum error tolerable) to within .05

**p** = population proportion at which the sample size is maximum (at  $p=0.5$  and  $q=0.5$ ,  $p*q=0.25$ )

Where  $q=1-p$

Hence, to identify the necessary information, 386 samples will be selected.

### 3.6 Method of Data Processing and Analysis

The study employed a triangulation of both qualitative and quantitative analysis to benefit from the advantages of the two techniques and produce a rich research document. Thus, a summary of regression analysis, correlation coefficient and tabulation of field data were used to identify determinant factors of business formation and to assess the entrepreneurial intention of students from selected universities. Qualitative analysis was used to formally present arguments pertaining to the students' entrepreneurial attitude and to supplement the data collected from the survey. More specifically, the methods for analyzing the survey data includes cross tabulation of variables indicated in the basic research questions to evaluate undergraduate students' self-employment intentions.

For the analysis of determinant factors of entrepreneurial intention of undergraduate students, multiple regression analysis was conducted to identify which variables are significant for the model. Multiple regression analysis helps to determine the effects of each independent variable on dependent variable. While using this technique measure was taken to get rid of matter concerning multicollinearity and outliers so that to bring about the desired effect while running the multiple regression. Furthermore the regression analysis was used under the assumption of normality, equality of variance (the mean value is not affected by extreme values and scale should be either in the form of interval or nominal). For analysis of data Statistical Package for the Social Sciences (SPSS) version 17 was used,

### 3.6.1 The model for regression analysis

For regression analysis independent variables include perceived desirability of self-employment, social norms, perceived entrepreneurial self-efficacy, university environment, attitude and perceived educational support. Dependent variable is students' entrepreneurial intention. Control variables include, Participation in entrepreneurship prior activities, activeness in no curricular activities (student union), working besides studying and former work experience.

$$Y_i = 3.47 + 0.031x_1 + 0.042x_2 - 0.033x_3 + 0.005x_4 - 0.003x_5 + \varepsilon$$

$Y_i$  = entrepreneurial intention (dependent variable)

$\varepsilon$  = Error Term, Where  $x_1$ ,  $x_2$ ,  $x_3$ ,  $x_4$  and  $x_5$ , are independent variables.

$X_1$  = perceived desirability of self-employment

$X_2$  = social norms (social influences)

$X_3$  = perceived entrepreneurial self-efficacy

$X_4$  = university environment,

$X_5$  = Perceived educational support

$B_0$  = the estimated value of  $Y$  when  $X_1$ ,  $X_2$ ,  $X_3$ ,  $X_4$  and  $X_5$  are zero

$\beta_1$  = the estimated impact of perceived desirability (attitude) of self-employment on entrepreneurial intention

$\beta_2$  = the estimated impact of social norms on entrepreneurial intention

$\beta_3$  = the estimated impact of perceived entrepreneurial self-efficacy on entrepreneurial intention

$\beta_4$  = the estimated impact of university environment on entrepreneurial intention

$\beta_5$  = the estimated impact of Perceived educational support on entrepreneurial intention

## **3.7 Validity and Reliability of the Instruments**

### **3.7.1 Validity of the Instruments**

Validity, refers to the extent to which a measurement procedure actually measures what it is intended to measure rather than measuring something else, or nothing at all”(Leary, 2004).

To maintain the validity of study instruments, care was taken during questionnaire development so as to make the set items to be clearly understood by respondents. The researcher first checked whether respondents could easily understand the items in the questionnaire by taking feedback from colleagues and by distributing sample questionnaires to selected universities. Then; actual questionnaires were distributed incorporating feedbacks from the colleagues and selected respondents and questionnaires covered all issues related to undergraduate students' self-employment intention as much as possible.

### **3.7.2 Reliability of the Instruments**

Reliability test is used to determine the extent to which the items in the questionnaire are related to each other. In order to test the reliability of the instrument the researchers used Cronbach's Alpha values of multi-item scale. This model was used to measure the internal consistency of the tool employed in order to get the necessary data from the respondents.

Nunnally (1998) suggested that scales should have a minimum of 0.7 CronbachAlpha. On the other hand Kehoe (1995) stated that reliable scale can have minimum Cronbach Alpha value of 0.5. An Alpha value of at least 0.5 should be achieved for accepting the items “as is” within a dimension, so long as they are within a short instrument (10-15 items). Longer or widely used instruments should attain an Alpha of at least 0.8. So, first the researcher looked to the value for “Cronbach's Alpha.” And for group of items with Cronbach's Alpha value less than 0.5 were deleted

For each part of the questionnaire used in this research project Cronbach Alpha value was calculated by using SPSS to determine whether questions are reliable or not.

**Table 3.1: The reliability of instrument used to test entrepreneurs' talent**

Cronbach Alpha	Number of items
0.506	12

As it is clearly shown in the above table the reliability of the instrument which was used to test entrepreneurs' talent is about 50.6%. Thus the internal consistency of items included in the questionnaire was good since it is greater than the acceptable standard in social research

### **3.2 The reliability instrument used to test Factors that Determine Students Entrepreneurial Intention**

The reliability instrument used to test Factors that Determine Students Entrepreneurial Intention was categorized into five and reliability for each classification was calculated as shown in the following table

<b>Constructs</b>	<b>Number of items</b>	<b>Mean</b>	<b>S.D</b>	<b>Cronbach Alpha</b>
Subjective norms	5	3.625		0.638
Perceived self-efficacy	4	3.693		0.694
University environment	7	3.491		0.598
Perceived educational support	8	3.629		0.696
Attitude	12	3.794		0.698

As the above table depicts the reliability of instrument used to measure Subjective norms as determinant of entrepreneurial intention is about 63.8% this indicate that there is good internal consistency between questions and Cronbach's alpha is greater than acceptable standard.

Regarding items used to test Perceived self-efficacy and University environment the internal consistency were about 69.4% and 59.8% respectively. This indicate that there is good internal consistency between questions

The internal consistency of Perceived educational support and Attitude Factors Were about 69.6% and 69.8% respectively since it is above acceptable standards it can be rated as good.

**Table 3.3: The reliability test for overall items used**

Number of items	Cronbach Alpha
53	0.785

As the above table depicts the reliability of items used in this research was about 78.5%. This indicate that there high internal consistency between the questions used, which is by far greater than acceptable standard which signifies as an indication of test reliability.





## CHAPTER-FOUR

### ANALYSIS AND INTERPRETATION OF DATA

This chapter deals with the analysis and interpretation of data related to entrepreneurial intentions and determinant factors for entrepreneurial intention.

The analysis and interpretation focused on the entrepreneurial intention and its determinant. The data were analyzed in order to understand the key objective of the study which is to identify important factors that determines entrepreneurial intention of students in selected public universities found in Ethiopia

The statistical techniques that were outlined in methodology part were applied to the data, and the results obtained were presented in this chapter. Descriptive and inferential statistics have been used in the presentation of the data.

#### 4.1 Demographic Characteristics of Respondents

In this section, the background characteristics of the respondents mainly sex, age, respondent's Batch and respondent's college, of selected universities were presented

**Table4. 1 questionnaire distributed and response rate**

<b>Name of university</b>	<b>Questionnaire distributed</b>	<b>Questionnaire returned</b>	<b>Response rate (%)</b>
Addis Ababa	100	29	29%
Adama	100	52	52%
Haramaya	100	71	71%
Jimma	100	58	58%
Total	400	210	52.5%

**Source: Research Data, 2012**

Even though the sample size determined by sample determination formula was 386, the researchers distributed 400 questionnaires by considering unresponsive rate. A total of 210 questionnaires were usable, which represents a response rate of 52.5%.

## Demographic Characteristics of Respondents

**Table4.2: General Background information of Respondents**

Demographic		Respondents	
		Frequency	Percent
<b>1.sex</b>	Male	141	67.1
	Female	69	32.9
	Total	210	100
<b>2.Age</b>	Less than 25 years	174	82.9
	26-35	34	16.2
	36-45	2	1.0
	45-55	-	-
	56 and above	-	-
	Total	210	100.0
<b>3. Respondent's college</b>	College of business and Economics	140	66.7
	College of technology and sciences	70	33.3
	Total	210	100.0
<b>4. Respondent's Batch</b>	1 <sup>st</sup> year	7	3.3
	2 <sup>nd</sup> year	25	11.9
	3 <sup>rd</sup> year	142	67.6
	4 <sup>th</sup> year	28	13.3
	5 <sup>th</sup> year	8	3.8
	Total	210	100.0

Source: Research Data, 2012

As clearly shown in table 2 above the sex distribution of respondents on the whole, 141 (66.1%) were male and 69(32.9%) were female. Thus; Male students were in majority in the selected universities. The analysis further revealed that 174(82.90%) and 34(16.2%) of respondents were aging less than 25 years and 26-35 years respectively. While 2(1%) were aging between 36-45 and there is no respondent aging between 36-45 and above 45 years old. Therefore the finding of this study shows that most of the respondents were found less than 25 years. The paper also depicts that 140 (66.7%) of the respondents were from Business and Economics college and 70 (33.3%) of respondents were from college of technology and sciences. Pertaining to respondent's Batch 7(3.3%) and 25(11.9%) of the respondents were 1<sup>st</sup> year and 2<sup>nd</sup> year Batch and 142(67.6%) and (13.3%) of the respondents were 3rd year and 4th year respectively and the remaining 8 (3.8%) of the respondents were 5th year students.

## **4.2 Entrepreneurial characteristics of the respondents**

The trait approach to entrepreneurship has been pursued by many researchers in an attempt to separate entrepreneurs from non-entrepreneurs and to identify a list of character traits specific to the entrepreneur. There is no agreement however on the number of traits, specific to the entrepreneur, or their validity. Chell (2000) suggests that it is not clear whether some of the studied attributes precede entrepreneurial behavior or whether entrepreneurs acquire them in the process. Furthermore, entrepreneurs may possess some, but not necessarily all, of the traits highlighted in the literature bringing us to the conclusion that not one stereotypical personality model fits

### **4.2.1 Respondents risk-taking propensity**

McMullen and Shepherd (2006) argue that a willingness to bear the perceived uncertainty associated with entrepreneurship can be seen as a belief-desire configuration similar to that of entrepreneurial intentions models. That is, desire of pursuing entrepreneurial action is a function of motivation, and belief in the ability to pursue entrepreneurial action is a function of knowledge. Mitton (1989) suggested that entrepreneurs seek the excitement of ambiguous situations in order to challenge themselves. This tolerance for ambiguity tends to go hand in hand with entrepreneurs' risk taking propensity.

**Table 4.3 risk-taking propensity of the respondents**

Even though it is frightening to try something new, are you the type who tries	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	134	63.8	63.8	63.8
No	75	35.7	35.7	99.5
Total	210	100.0	100.0	

**Source: Research Data, 2012**

As the above tables depicts out of all respondents, 134 (63.8%) students replied that even though it is frightening to try something new they will try it and the remaining 75(35.7%) of the respondents responded that if it is frightening to try something new they will not try to do. Therefore from the above finding it is possible to conclude that the majority of the students have high risk taking propensity.

### 4.2.2 Self-efficacy of the respondents

General self-efficacy is an individual's faith in his or her capacity to perform successfully across a variety of diverse situations (Gardner and Pierce, 1998). Research into attitudes has found that one's perceptions of one's ability to perform specific tasks increase the likelihood of attitude converting into intent and consequent behaviour (Ajzen, 1991). In the absence of self-efficacy, individuals make self-limiting decisions despite having the necessary skills to pursue a path of action (Bandura, 1986).

**Table 4.4 Entrepreneurial self-efficacy of respondents**

If your friends, father and mother tell you that it is foolish of you to want a career, You will listen to them and stay home long years for waiting for job?	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	44	21.0	21.0	21.0
No	166	79.0	79.0	100.0
Total	210	100.0	100.0	

**Source: Research Data, 2012**

The above table reveals that majority 166(79.0%) of respondents responded that they will not follow their friends and family suggestion and wait for job and 44(21.0%) of the respondents responded that they will follow their friend and family suggestion and waiting for job. Therefore from that above result we can conclude that students in selected Universities posses self-efficacy and they make their own decisions when they have necessary skills to pursue a path of action.

### 4.2.3 Respondents Internal Locus of Control

Individuals possessing an internal locus of control believe they are in control of future events and outcomes as a result of their own actions (Cromie, 2000).

Entrepreneurs have been found to have the tendency to attribute outcomes to their own personal action, choosing their own destiny, not submitting to the pressure of social norms (Bird 1988)

**Table 4.5 Students' Internal Locus of Control**

Do you know that if you decide to do something, you will do it and nothing can stop you?	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	122	58.1	58.1	58.1
No	88	41.9	41.9	100.0
Total	210	100.0	100.0	

**Source: Research Data, 2012**

The above table reveals that 122(58.1%) of respondents responded that if they decided to do something nothing can stop them from what they want to do and 88(41.9%) of the respondents replied that if they decided to do something they will not do what they plan. Therefore from above result we can conclude that students in selected Universities possess internal locus of control and they can control their future events and outcomes as a result of their own actions.

### 4.2.4 Desire for Autonomy

Due to entrepreneurs' internal locus of control as described above, they have been found to have a higher need for independence and autonomy in fear of external control from others (Kirby, 2003). They dislike rules and tend to work out how to get around them, and as a consequence have even been considered deviants who desire to be independent of everyone and in total control (Kets de Vries, 1977). The need for autonomy has been stated by entrepreneurs as one of the most frequent explanations for new venture creation and has been supported in studies by several authors (Davidsson, 1995; Lawrence and Hamilton, 1997; van Gelderen and Jansen, 2006).

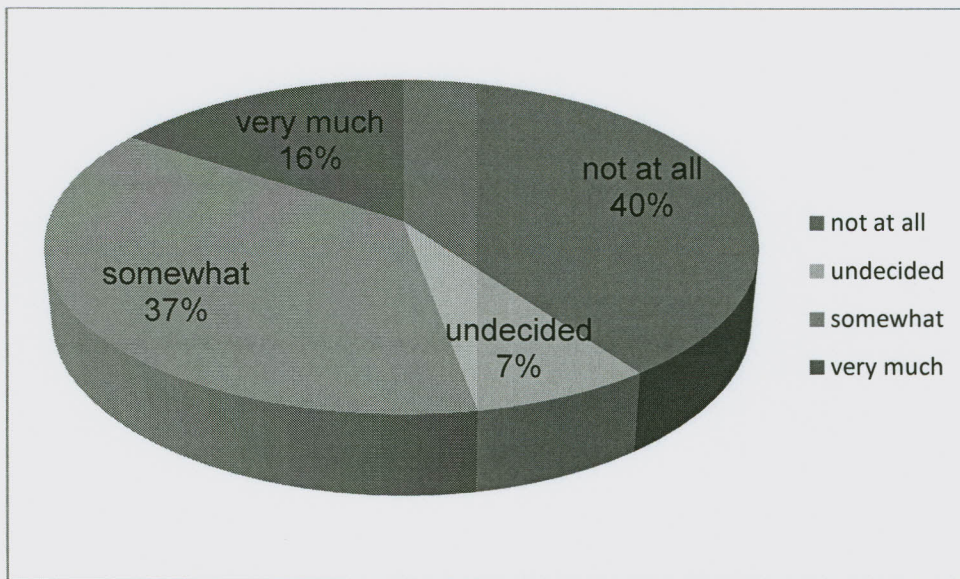
**Table 4.6 Respondents Desire for Autonomy**

	Frequency	Percent	Valid Percent	Cumulative Percent
If you want something do you ask for it rather than wait for someone to notice you and give it to you?	Yes	137	65.2	65.2
	No	73	34.8	100.0
	Total	210	100.0	
Even though people tell you "it can't be done," do you have to find out for yourself	Yes	145	69.0	69.0
	No	65	31.0	100.0
	Total	210	100.0	

**Source: Research Data, 2012**

The above table shows desire for independence of respondents. Two questions were asked to evaluate students' desire for autonomy. Accordingly 137(65.2% and 145(69.0) of the respondents replied that they will not wait for notice from someone if they want to do something and they will try what they find out by themselves respectively. The remaining 73(34.8) and 65(31%) responded that they will wait for notice from someone if they want to do something and will not try what they find out by themselves. Therefore from the above result we can conclude that the majority of the respondents have desire for autonomy which could be the reason for new venture creation.

#### 4.2.4 Student's future attitude about continuous employment and fixed salary

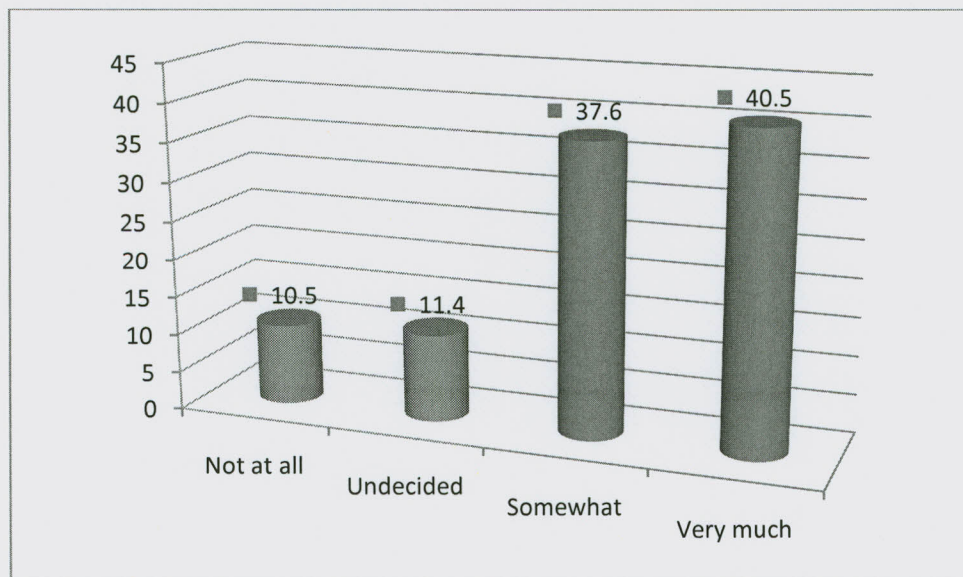


**Figure 4.1 student's future attitude about continuous employment and fixed salary**

The fig 4.1 above shows the extent to which students will be satisfied by continuous employment and fixed salary after graduation. Accordingly 40 % of the respondents replied that continuous employment and fixed salary will not satisfy them at all. 37% and 16% of the respondents replied that continuous employment and fixed salary will satisfy them somewhat and satisfy them very much and the remaining7% of the respondents responded that they cannot decided whether continuous employment and fixed salary satisfy them or not .Therefore from the above we can conclude that only portion of the student will be satisfied by continuous employment and fixed salary after graduation.



#### 4.2.5 Students' Ability to Cope With Challenges in the Job Market



**Figure 4.2 Students ability to cope with challenges in the job market**

As figure 4.2 shows (40.5%) and 37.6% of respondents responded they were very much and somewhat capable to meet challenges in the job market respectively. And the remaining 11.4% and 10.5% of the respondent replied that they were neutral and have no ability to cope challenges in the market respectively. Therefore we can conclude that the majority of the students in selected universities will be able to cope with challenges in job the market.

#### 4.3 Factors that Determine Students Entrepreneurial Intention

This section deals with Factors that Determine Students Entrepreneurial Intention in higher Education

The data collected on Students Entrepreneurial Intention was entered to Statistical Package for Social Sciences (SPSS) version 17 and coded by using 1 – 5 likert scale statements. To select extent of agreement to closed ended questions a scale of 1 to 5 where strongly agree was coded as 5, agree as to 4, and so on for data simplification.

Accordingly simple descriptive statistics measures of frequency, weighted mean, and standard deviation and from inferential statistics multiple regression were calculated for factors that determine students' entrepreneurial intention as shown in the following sections.

### 4.3.1 Subjective norms

Ajzen (1991) refers to the perceived social pressure from one's peers and 'significant others' impacting one's intention to perform or not to perform a specific behavior as 'subjective norm'. Krueger et al. (2000) included this measure in their entrepreneurial intentions model and subsequently did not find a relationship between an individual's subjective norm and intention to start a business, calling for more studies with more reliable measures in this research domain. Furthermore, it is reasonable to assume that this dimension of subjective norm may already be accounted for in one's perceived desirability of performing a specific behavior.

**Table 4.7 Descriptive statistics for the dimensions of Subjective norms of higher education students**

<b>Subjective norms factors</b>	<b>N</b>	<b>Mean</b>	<b>Std deviation</b>
I care what my closest family thinks about my employment decision	210	3.4762	1.26488
care what people who are important to me think about my employment decision	210	3.6762	1.17384
I believe that my closest family thinks I should be self-employed	210	3.6857	1.23206
I believe that my closest friends think I should be self-employed	210	3.5524	1.17372
I believe that people who are important to me think I should be self-employed	210	3.6952	1.12070
<b>Weighted Mean</b>		<b>3.625</b>	

Source: Research data 2012

The respondents were asked 5 questions relating to Subjective norms factors as shown in table above. The overall weighted mean for Subjective norms factors is about 3.63.that means almost all respondents agreed that Subjective norms (social influence) can affect students' entrepreneurial intentions since the weighted mean approaches to 4 which shows agreement. Therefore it is possible to conclude

that respondents were agreed that Subjective norms (social influence) can affect their entrepreneurial intentions

Specifically from the above table it can be observed that believe of people who are important to someone with weighted mean of 3.69 and high standard deviation of 1.12 and closest family with weighted mean 3.68 and high standard deviation 1.23 significantly determines once intention toward self-employment.

While what closest family thinks about employment decision has relatively less impact on students entrepreneurial intentions with weighted mean of 3.48 and high standard deviation of 1.26. Generally the standard deviation indicates that there is high variation among respondents

### 4.3.2 Perceived self-efficacy

General self-efficacy is an individual's faith in his or her capacity to perform successfully across a variety of diverse situations (Gardner and Pierce, 1998). Research into attitudes has found that one's perceptions of one's ability to perform specific tasks increase the likelihood of attitude converting into intent and consequent behaviour (Ajzen, 1991). In the absence of self-efficacy, individuals make self-limiting decisions despite having the necessary skills to pursue a path of action (Bandura, 1986).

### 4.8 Descriptive statistics for the dimensions of Perceived self-efficacy of higher education students

Perceived self-efficacy factors	N	Mean	Std.Deviation
I control the creation process of anew firm	210	3.6619	1.21197
I know the necessary practical details so start a firm	210	3.7095	1.12663
I know how to develop an entrepreneurial project	210	3.6000	1.11192
If I tried to start a firm, I would have a high probability of succeeding	210	3.7762	1.10345
<b>Weighted Mean</b>		3.687	

Source: Research data 2012

Regarding to Perceived self-efficacy of higher education students the respondents were asked 5 questions. The overall weighted mean for Perceived self-efficacy *factors* was about 3.7. That means almost all respondents agreed that perceived self-efficacy factors affected their entrepreneurial

intentions since the weighted mean approaches to 4 which shows agreement. Therefore it is possible to conclude that confidence in one's ability to successfully perform entrepreneurial roles and tasks can affect his/her entrepreneurial intentions and the standard deviation indicates that there is high variation among respondents since it is greater than one

### 4.3.3 University environment

Supportive university environment is very important to develop entrepreneurial intentions among university's students. Study shows, if a university provides adequate knowledge and inspiration for entrepreneurship, the possibility of choosing an entrepreneurial career might increase among young people (Turker and Selcuk, 2008)

### 4.9 Descriptive statistics for the dimensions of University environment

University environment	N	Mean	Std. Deviation
Supervisors are helpful and guide me well.	210	3.40	1.36
My university people are actively encouraged to pursue their own ideas	210	3.27	1.21
Lecturer is helpful and guides me well	210	3.45	1.26
The courses foster the social and leadership skills needed by entrepreneurs"	210	3.70	1.17
The courses provide students with the knowledge required to start a new company"	210	3.62	1.81
The university actively promotes the process of founding a new company	210	3.73	1.28
Weighted Mean		3.49	

**Source: Research data 2012**

From the table it can be observed that respondents were negatively responded regarding to the role of university environment in promoting Entrepreneurial intention in selected universities with a weighted mean of 3.49 since the weighted mean approaches to 3 which indicate uncertainty of the respondent about the impact of university environment to develop entrepreneurial intention

As the above finding shows Supervisors were not this much helpful and guide well students in selected universities with Weighted mean of 3.4 and standard deviation of 1.36. In addition different university stakeholder were not actively encouraged students to pursue their own ideas and Lecturer was not this much helpful and guides students well with weighted mean of 3.27 and 3.45 respectively

Therefore it is possible to conclude that University environment was not suitable to enhance entrepreneurial intentions for students in selected universities

#### **4.3.4 Perceived educational support**

It is obvious that professional education in universities is an efficient way of obtaining necessary knowledge about entrepreneurship. In their study, Wang and Wong (2004, p. 170) they pointed out the fact that the entrepreneurial dreams of many students are hindered by inadequate preparation; “. . . their business knowledge is insufficient, and more importantly, they are not prepared to take risk to realize their dreams”. Therefore, academic institutions might have critical roles in the encouragement of young people to choose an entrepreneurial career. In the literature, some studies analyze how these entrepreneurial interests of universities affect entrepreneurial inclination of students. The study of Gorman and Hanlon (1997) showed that entrepreneurial attributes can be positively influenced by educational programmes. In their study, Kolvereid and Moen (1997) also indicated a link between education in entrepreneurship and entrepreneurial behavior. Similarly, the study of Galloway and Brown (2002) analyzed the impact of entrepreneurship electives and found that the return on investment in the entrepreneurship education might be long-term rather than immediate. It is clear that an effective education on entrepreneurship can be a factor to push people towards an entrepreneurial career (Henderson and Robertson, 2000).

#### 4.10 Descriptive statistics for the dimensions of Perceived educational support

University environment	N	Mean	Std. Deviation
The course had exposed students to basic skills required for entrepreneurs.	210	3.7143	1.20774
The course had exposed yourself to the support basics knowledge of entrepreneurship	210	3.7714	1.17190
The course had provided enough knowledge to be an entrepreneur.	210	3.7571	1.76118
The assignment had provided a good lesson for students	210	3.5810	1.13053
Practical project provided me with exposure to the real business environment	210	3.8476	1.75004
The subject though was very clear You were happy with teaching methods	210	3.5429	1.31628
The arrangement of the course was good	210	3.5143	1.28751
The subject though needs to be rearrange (reverse)	210	3.2571	1.32353
Weighted Mean		3.623	

**Source: Research data 2012**

The respondents were asked 8 questions relating to Perceived educational support factors as shown in table above. The overall weighted mean for Perceived educational support factors was about 3.63. that means almost all respondents agreed that perceived educational support was good. But specifically from the above table it can be observed that the needs for rearrangement (reversing) the subject was not appreciated by students with weighted mean of 3.2 which indicates uncertainty of the respondents and there was high variation among respondents since standard deviation is greater than one

#### 4.3.5 Perceptions of Desirability (attitude) of Entrepreneurship

Perceptions of desirability of entrepreneurship affected by their own personal attitudes, values and feelings, which are a result of their unique social environments (eg. family, peer groups, educational and professional influences). In other words, an individual needs to first see the act of self-employment as desirable before it is likely self-employment intentions will be formed.

Furthermore, Bird (1988) considered desirability to be formed through ‘intuitive thinking’ in the intentions process, and feasibility, discussed next, as ‘rational thinking’. Perceived desirability of entrepreneurship is an affective attitudinal judgment (an emotive response) and entrepreneurs use such judgment to make decisions on whether or not to act (Mitchell et al., 2002). It follows that a goal of entrepreneurship education would be to develop in students, a positive attitude towards entrepreneurship.

#### 4.11 Descriptive statistics for the dimensions of respondent’s attitude toward entrepreneurship

<b>Respondent’s attitude about entrepreneurship</b>	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>
I had rather be my own boss than have a secure job	210	3.6762	1.27167
I would rather found a new company than is the manager of an existing one	210	3.7905	1.04101
I find working in a stable and routinized environment boring	210	3.2190	1.29394
I need constant change to remain stimulated, even if this would mean higher uncertainty	210	3.2952	1.25598
If you have high income, that is a sign that you have had success in your life	210	3.3524	1.24109
It is important for me to make a lot of money	210	3.7714	1.16370
I work harder in situations where my performance is compared against of others.	210	3.9095	1.19665
Being an entrepreneur implies more advantage than disadvantage to me	210	4.0619	1.12005
A career as entrepreneur is attractive for me	210	4.0095	1.08487
If I had the opportunity and resources. I had like to start a firm	210	4.1524	1.10051
Being an entrepreneur would entail great satisfaction for me	210	4.1429	1.05294
Among various options, I would rather be an entrepreneur.	210	4.1048	1.13596
<b>Weighted Mean</b>	<b>210</b>	<b>3.794</b>	

**Source: Research data 2012**

Regarding to the higher education students attitude toward entrepreneurship the respondents were asked 12 questions. The overall weighted mean for student's attitude toward entrepreneurship was about 3.79. That means almost all respondents have good attitude toward being entrepreneur. But students were not interested to face constant change to remain stimulated with the weighted mean of 3.29 and didn't consider earning high income as an indication of success in life with the weighted mean of 3.35. Therefore it is possible to conclude that students of selected universities have desire and positive attitude toward entrepreneurship.

#### **4.4 Entrepreneurial Environment/ Conditions that affect student's entrepreneurial intention**

Entrepreneurial activities may also be explained by the influences of the surrounding business environment. Scholars have emphasized that government policy, characteristics of the local context (e.g. availability of logistic infrastructure, financial investors, and externalities). As for local context, several studies have focused on the ability that a fertile environment, rich in both tangible (physical infrastructure, corporate physical assets, R&D laboratories) and intangible (human capital, routines) resources, has in fostering entrepreneurial intention (Niosi and Bas, 2001).

In particular, financial support, such as venture capital availability (Beck, Demirguc-Kunt, and Maksimovic, 2005), and entrepreneurial support services, such as training opportunities, small loans, physical infrastructure and business plan competition (Feldman, 2001; Foo, Wong and Ong, 2005), have been identified as leading factors in the support of entrepreneurship.

#### **4.12 Entrepreneurial Environment factors that affect entrepreneurial intention**

<b>Entrepreneurial Environment</b>	Frequency	Percent	Valid Percent	Cumulative Percent
Access to finance	121	59.00	59.00	59.00
Business support and physical infrastructure	20	9.76	9.76	68.76
Government regulations	14	6.80	6.80	75.56
Education, Skills & Training	50	24.40	24.44	100
Total	205			

**Source: Research data 2012**



As table 4.12 shows (59%) and 24.44% of respondents believe that access to finance and Education, skills and Training were the major factors that can affect Entrepreneurial intention of the students in selected universities respectively And the remaining 9.76% and 6.80% of the respondent believe that Business support and physical infrastructure and Government regulations can determine entrepreneurial intention of the students. Therefore from the above we can conclude that access to financial support is leading factors in the support of entrepreneurship and enhancing entrepreneurial intention.

#### **4.10 Multiple Regression analysis**

For this study number of dependent and independent variables were used. To identify the impact of independent variables on dependent the researcher used multiple regression analysis method.

The stepwise regression method is used to determine the combination of possible independent variables that best explains the dependent variables (Argyrous2005)

Dependent variable in this study was students Entrepreneurial intentions. To select dependent variable the researchers calculated correlation coefficient between each independent variable and dependent variables. Accordingly the dependent variable which has high correlation with independent variables was students' preference to run their own business rather than participating in a lower-risk business after graduation. The independent variables were abbreviated for analysis purpose as follows. SN for Subjective Norms, PS for Perceived Self Efficacy, UE for University Environment, PE for Perceived Educational Support and AT for Attitude.

**4.13 Multiple regression analysis for variables predicting students Entrepreneurial intentions graduation**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.470	.378		9.181	.000
	SN	.013	.015	.060	.808	.420
	PS	.042	.020	.172	2.127	.035
	UE	-.033	.011	-.250	-3.067	.002
	PE	.005	.007	.057	.713	.476
	AT	-.003	.007	-.032	-.407	.684

R=.242 R<sup>2</sup> =0.058 Adjusted R= .035

The table shows the result on the relationship between Subjective Norms, Perceived Self Efficacy, University Environment, Perceived Educational Support and Attitude against students' preference to run their own business or participating in a lower-risk business after graduation. The result show there is positive relationship between Perceived Self Efficacy and dependent variable but there is negative relationship between University Environment and dependent variable

In other words the contribution of Perceived Self Efficacy to students Entrepreneurial intentions

Was 17.2% but University Environment was negatively affected students Entrepreneurial intentions by 25%. This could be due to university environment which discourages students to be entrepreneur.

The result also shows that at significant level of (p = 0.05), there is statically significant difference between Perceived Self Efficacy, University Environment and dependent variables since the significance level for Perceived Self Efficacy and University Environment is less than 0.05. This implies that there is significant difference between the two independent variables and

the dependent variable. This means Perceived Self Efficacy and University Environment were the determinant factors of students Entrepreneurial intentions

At significant level of ( $p = 0.05$ ), there is no statically significant difference between Subjective Norms, Perceived Educational Support, Attitude and dependent variable. Since the significance level for these factors were greater than 0.05.

From the model in general 5.8 % variation in students Entrepreneurial intentions is explained by independent variables which was to weak while the remaining 94.2% influenced by other factors that are not explained in the model.

## CHAPTER FIVE

### CONCLUSIONS AND RECOMMENDATIONS

This chapter deals with, the summary of findings, conclusion and recommendations made. Each section was discussed in the following fashion.

#### 5.1 Conclusion

The main objective of this study was to identify whether entrepreneurial inclinations exist among university students. It strives to help in establishing if the drive toward entrepreneurship prevails among the same students

Regarding to risk-taking propensity of the students, most of respondents 134 (63.8%) replied they have high risk taking propensity.

Majority 166(79.0%) of respondents responded that they will not follow their friends and family to do something. That means students in selected universities possess self-efficacy and they can make their own decisions when they have necessary skills to pursue a path of action.

As findings shows that 122(58.1%) of respondents responded that if they decided to do something nothing can stop them from what they want to do and students in selected Universities possess internal locus of control and they can control their future events and outcomes as a result of their own actions.

Regarding to desire for independence of respondents. Two questions were asked to evaluate students' desire for autonomy. Accordingly 137(65.2% and 145(69.0) of the respondents replied that they will not wait for notice from someone if they want to do something and they will try what they find out by themselves respectively. Therefore from the above result we can conclude that the majority of the respondents have desire for autonomy which could be the reason for new venture creation.

Concerning to student's future attitude about continuous employment and fixed salary, 40 % of the respondents replied that continuous employment and fixed salary will not satisfy them at all and only portion of the student will be satisfied by continuous employment and fixed salary after graduation.

Findings revealed that the majority 78.1% respondents were capable to meet challenges in the job market.

Per findings shown above Subjective norms (social influence) can affect students' entrepreneurial intentions, specifically believe of people who are important to someone and closest family and partners were significantly determines once intention toward self-employment.

Self-efficacy is an individual's faith in his or her capacity to perform successfully across a variety of diverse situations. In the absence of self-efficacy, individuals make self-limiting decisions despite having the necessary skills to pursue a path of action. Regarding to Perceived self-efficacy of higher education students in selected universities almost all respondents agreed that perceived self-efficacy factors can affect their entrepreneurial intentions

Supportive university environment is very important to develop entrepreneurial intentions among university's students. By providing adequate knowledge and inspiration for entrepreneurship and providing the possibility of choosing an entrepreneurial career might increase among young people but per findings of the study university environment in promoting Entrepreneurial intention in selected universities was low. Particularly per findings Supervisors were not this much helpful and guide well students. In addition different university stakeholders were not actively encouraged students to pursue their own ideas and Lecturer was not this much helpful and guides students well.

Professional education in universities is an efficient way of obtaining necessary knowledge about entrepreneurship and effective education on entrepreneurship can be a factor to push people towards an entrepreneurial career Therefore, academic institutions might have critical roles in the encouragement of young people to choose an entrepreneurial career. As finding shows over all education support variables in selected universities was good but the needs for rearrangement (reversing) the subject was not appreciated by students as weighted mean shows.

Perceptions of desirability of entrepreneurship affected ones personal attitudes, values and feelings, which are a result of their unique social environments (e.g. family, peer groups, educational and professional influences). In other words, an individual needs to first see the act of self-employment as desirable before it is likely self-employment intentions will be formed.

Regarding to the higher education students attitude toward entrepreneurship. The overall weighted mean for student's attitude toward entrepreneurship was about 3.79. That means almost all respondents have good attitude and desire to be entrepreneur. But students were not interested to face constant change to remain stimulated and didn't consider earning high income as an indication of success in life as the weighted mean shows.

Entrepreneurial activities may be explained by the influences of the surrounding business environment such as government policy, availability of logistic infrastructure, financial support, and externalities. In additions physical infrastructure, corporate physical assets, R&D laboratories and intangible (human capital,) Education, Skills and training opportunities can foster entrepreneurial intention.

Regarding to entrepreneurial environment 59% of respondents believe that access to finance and was the major factors that can affect Entrepreneurial intention of the students in selected universities

Concerning to the impact of independent variables on dependent variables multiple regression analysis shows that Perceived Self Efficacy and University Environment were the determinant factors that can significantly affect students Entrepreneurial intentions

## 5.2 Recommendations

Educators and policy makers will be benefited from this study as it provides understanding about entrepreneurial intention of higher education students and determining factors for students' intention for being entrepreneurship. Having completed this study, the researchers believe that entrepreneurship education is still has crucial importance for facilitating entrepreneurship and entrepreneurial intention.

Students those who possess self-efficacy, can make their own decisions, Establish and achieve their goals, take responsibility for their ideas and their decisions, perceived themselves as more creative and more organized for implementation of their plans. As findings show in selected Universities students possess self-efficacy and they can make their own decisions when they have necessary skills to pursue a path of action. Therefore the selected universities were expected to maintain the current condition regarding to self-efficacy factors in their respective university by adopting success strategies, enforcing personal disciplines and building support System

Specific university support environments are relevant in fostering technology transfer activities and consequently in supporting entrepreneurial actions. The set of policies and instruments that have been put in place by universities in order to support academic entrepreneurship is quite varied, including technology transfer offices and faculty consultants. Per findings of the study university environment in promoting Entrepreneurial intention in selected universities was low. Particularly Supervisors were not this much helpful and guide well students. In addition different university stakeholders were not actively encouraged students to pursue their own ideas and Lecturer was not this much helpful and guides students well. Therefore the selected Universities were advised to use lecturers, who can provide feedback, encourage and influence participants to test their ideas and invite guest speakers who are passionate about entrepreneurship and are able to spread this contagious passion & enthusiasm to students so that university environment will be conducive for boosting entrepreneurial intention.

Regarding to entrepreneurial environment the majority of respondents believe that access to finance was the major problem that affects Entrepreneurial intention of the students in selected universities. This creates fears of participants or inhibitors of entrepreneurship within groups of students. Therefore it is advisable for universities to teach corresponding methods and structure that provide support to overcome this fears

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**ANNEX I**  
**RESEARCH QUESTIONNAIRE**  
**JIMMA UNIVERSITY**

**COLLEGE OF BUSINESS AND ECONOMICS**  
**DEPARTMENT OF MANAGEMENT**

**Research objectives:**

This is academic research on the investigation of higher education students' entrepreneurial intention in the Ethiopia. This questionnaire is designed to obtain information about your perceptions, opinions, experiences and particular knowledge regarding the entrepreneurial intention. The effectiveness of this study depends on your genuine and reliable response to each question. Therefore, I assure you that the response to the questionnaire will be kept confidential. So please be frank in your response and return the questionnaire immediately as you complete it. Hence, I would like to thank in advance all who take their valuable time to fill in this questionnaire. If you have any doubt to fill this questionnaire call 0917817739/ Emnet or 0910183377/ Chalchissa

**Part I General Background Information**

**Instruction:** You are kindly requested to put a tick mark (√) on the space provided and give short description where necessary

1. Sex Male  Female

2. Age

≤ 25 years

36-45

26-35

46-55  56 and above

3. Respondent's University \_\_\_\_\_

4. Respondent's College

College of business and Economics

College of technology and sciences

5. Respondent's Batch

1<sup>st</sup> year

2<sup>nd</sup> year

3<sup>rd</sup> year

4<sup>th</sup> year

5<sup>th</sup> year

## PART II. QUESTIONS RELATED TO EVALUATE ENTREPRENEURS' TALENT

1. When things go right and are very good for you, do you think "it is mostly luck"?  
a) Yes  b) No
2. Do you know that if you decide to do something, you will do it and nothing can stop you?  
a) Yes  b) No
3. Even though it is frightening to try something new, are you the type who tries it?  
a) Yes  b) No
4. If your friends, father and mother tell you that it is foolish of you to want a career you will listen to them and stay home long years for waiting for job?  
a) Yes  b) No
5. If you want something do you ask for it rather than wait for someone to notice you and give it to you? a) Yes  b) No
6. Even though people tell you "it can't be done," do you have to find out for yourself?  
a) Yes  b) No
7. How much are you interested in taking long-term courses to learn more about job markets?  
a. Not at all  b. Not now  c. Neutral  d. Very much
8. Will you be satisfied with continuous employment and payment by fixed salary?  
a. Very interested  b. somewhat interested  c. Neutral  d. Not at all
9. Would you prefer a job involving change, travel, and variety, even though the job is less secure?  
a. Very much  b. Somewhat  c. Undecided  d. Not at all
10. How much do you prefer to run your own business rather than participate in a lower-risk business after graduation?  
a. Very much  b. somewhat  c. Neutral  d. don't like
11. Do you have the ability to cope with challenges in the job market?  
a. Yes  b. Somewhat  c. Neutral  d. Not at all
12. How much do you like to propose new solutions to current challenges?  
a. Very much  b. Somewhat  c. Neutral  d. It depends!

### Part III Questions Related to Factors that Determine Students Entrepreneurial Intention

**Instruction:** This section deals with Factors that Determine Students Entrepreneurial Intention in higher Education. So you are kindly request to put (√) mark where you feel appropriate to show your level agreeableness with stated statements.

**Scale:** Strongly agree =5 Agree =4 Uncertain =3 Disagree =2 strongly disagree =1

<b>Entrepreneurial intention determinants</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>Subjective norms</b>					
1.I care what my closest family thinks about my employment decision					
2.I care what my closest friends think about my employment decision					
3.I care what people who are important to me think about my employment decision					
4.I believe that my closest family thinks I should be self-employed					
5.I believe that my closest friends think I should be self-employed					
6.I believe that people who are important to me think I should be self-employed					
<b>Perceived self-efficacy</b>					
7.To start a firm and keep it working would be easy for me					
8.I am prepared to start a viable firm					
9.I control the creation process of anew firm					
10.I know the necessary practical details so start a firm					
11. I know how to develop an entrepreneurial project					
12.If I tried to start a firm, I would have a high probability of succeeding					
<b>University environment</b>					
13. Supervisors are helpful and guide me well.					
14. My university people are actively encouraged to pursue their own ideas					

15. Lecturer is helpful and guides me well					
16.The courses foster the social and leadership skills needed by entrepreneurs"					
17.The courses provide students with the knowledge required to start a new company"					
18.The university actively promotes the process of founding a new company					
19.The university provides a strong network of new					
<b>Perceived educational support</b>					
20. The course had exposed students to basic skills required for entrepreneurs.					
22.The course had exposed yourself to the support basics knowledge of entrepreneurship					
23. The course had provided enough knowledge to be an entrepreneur.					
24.The assignment had provided a good lesson for students					
25. Practical project provided me with exposure to the real business environment					
26.The subject though was very clearYou were happy with teaching methods					
27.The arrangement of the course was good					
28.The subject though needs to be rearrange (reverse)					
<b>Attitude</b>					
28.I had rather be my own boss than have a secure job					
29.I would rather found a new company than is the manager of an existing one					
30.I find working in a stable and routinized environment boring					
31.I need constant change to remain stimulated, even if this would mean higher uncertainty					
32.If you have high income, that is a sign that you have had success					

in your life						
33.It is important for me to make a lot of money						
34. I work harder in situations where my performance is compared against of others.						
35.Being an entrepreneur implies more advantage than disadvantage to me						
36.A career as entrepreneur is attractive for me						
37. If I had the opportunity and resources. I had like to start a firm						
38.Being an entrepreneur would entail great satisfaction for me						
39. Among various options, I would rather be an entrepreneur.						

**PART IV Entrepreneurial Environment/ Conditions**

**Instruction:** Higher education students' will face difficulties, obstacles and barriers to start a business in many fields after graduation. In which areas (a -to -f) do you expect that you will face the most difficult barriers after graduation? Please rank the following areas by importance. Please rank them first (1), second (2), third (3) ...etc.

- a) Access to finance
- b) Business support and physical infrastructure
- c) Government regulations
- d) Social/Cultural attitude towards entrepreneurship.
- e) Education, Skills & Training
- f) Other: (please specify)

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**Thank you for your time**



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