

Determinants of Entrepreneurial Intention among Young Graduates of Northeast India

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Abstract

Entrepreneurship has an important role in economic developments of any country. Government of India launched start-up India campaign and opened start-up cells in educational institutions to provide facilitating condition and enhance skills to young graduates for starting a new business. However, the success of such policy is depending upon the entrepreneurial intention. Therefore, it is required to study the determinants of entrepreneurial intentions among the young graduates. The aim of the study is to understand the influence of determining factors on entrepreneurial intention among young graduates of northeast India. Questionnaire surveys of 114 samples of graduate students of northeast India were carried out. For data analysis Partial Least Squares (PLS) structural equation modelling was used for validity and reliability of the factors. Finding of this study will provide the clear understanding about the behavioural intention to become an entrepreneur along with the factors that influencing the situation to start up new business.

Keywords: Entrepreneurial intentions, Perceived desirability, Self-efficacy, Entrepreneurial intention, Entrepreneurial education and attitude.

1. Introduction:

Start-up firm/Entrepreneurial firms plays important role in developing market economics, innovation and productivity of the country and provide job opportunities to unemployed man, women, minorities and immigrants (Khoury and Omran, 2012). With increased requirement of technological advancement and international competition entrepreneurship is regarded as a driving force of innovation (Lu'thje and Franke, 2003). Therefore, priority of policy makers is focusing towards the fostering of entrepreneurship (Khoury and Omran, 2012). Government of India also made various policies to encourage entrepreneurships such as Simplification of Licensing Procedure, Liberal Economic Policies, Establishment of Development Institutions, start-up India, Development of Women Entrepreneur, make in India etc. (Googlesir, 2019).

Idea to become an entrepreneur is attractive to students due to degree of independence they may get as a self-employed. However, to start a new business and become an entrepreneur requires behavioural intention to become an entrepreneur that is related to the desirability and feasibility of the conditions such as policies, previous experience, self-efficacy etc. These factors play important role in entrepreneurial intention (Leung et al., 2012). Therefore, this study focusses on the underlying factors that may impact behavioural intention to start a new business among the students. To find out the

factors, this study will use ‘Entrepreneurial Event’ model proposed by Shapero and Sokol’s (1982) implicitly an intention model that, specific to the domain of entrepreneurship (Krueger et al., 2000) and Liñán’s Entrepreneurial Intention Model (Liñán, 2004). Finding of this study will help policymakers and researchers to work on the necessities that can boost the intention to become an entrepreneur among young graduates of northeast India.

Research objective of this study is to propose a theoretical framework for assessment of students’ entrepreneurial intention.

2. Theoretical Background

2.1. “Entrepreneurial Event” model

Entrepreneurial Event defines the behaviour of entrepreneur in certain situations compared to other individuals. Entrepreneur event has five characteristics namely initiative taking, consolidation of resources, management of the organisation, relative autonomy and risk taking. According to Shapero and Sokol (1982) entrepreneurial behavioural intention depends on the relative ‘credibility’ that is influenced by personal desirability and feasibility (Krueger et al., 2000). Another factor that influences the intention is ‘Propensity to act’, which measures the control over life event or achievement related behaviour (Burger, 1979).

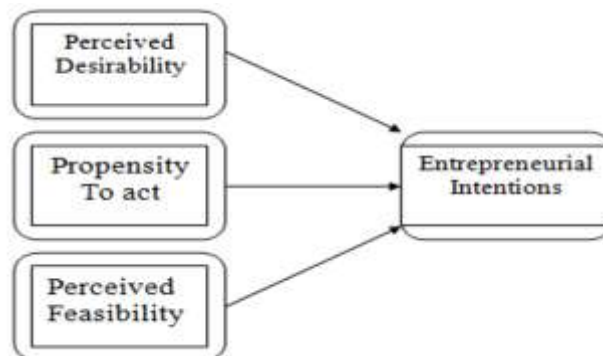


Fig 1: Entrepreneurial Event (Source: Shapero and Sokol (1982))

2.2 Entrepreneurial Intention Model

Intention models anticipate that outside variables (demographic or heritage characteristics) have no effect on the purpose of performing a given behaviour (Ajzen, 1991; Liñán, 2004). Liñán’s entrepreneurial intention model identifies the antecedents that influences the intention are entrepreneurial knowledge, perceived desirability (personal attitudes and social norms) and perceived feasibility (self-efficacy) (Liñán, 2004).

2.3 Entrepreneurial intentions

The term entrepreneurial intention defines the intention to start new business (Krueger et al., 2000). Intention toward a purposeful behaviour specifically entrepreneurial intention is very important because intentions can develop a key initial characteristic for set up a new business (Krueger, 1993). Many studies previously focused to study entrepreneurial intentions as listed in the Table 1.

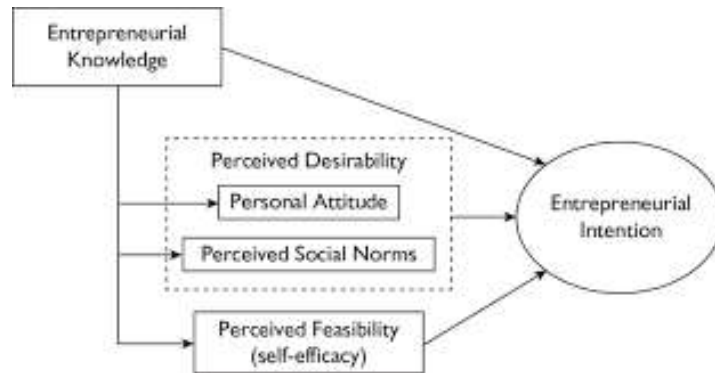


Fig : Linen’s Entrepreneurial Intention Model.

Table 1: previous research on entrepreneurial intention

Sl no.	Context	Method	Reference
1	Proposing integrated model to find entrepreneurial intention among Russian university business students	Integrated model. 324 Russian university business students. Questionnaire survey	Iakovleva and Kolvereid, 2009
2	Impact attitude towards self-employment of engineering students in MIT	Integrate both, individual traits and contextual factors into a structural model of entrepreneurial intent. 512 students at the MIT School of Engineering, Questionnaire survey.	Lu'thje and Franke, 2003
3	Entrepreneurial intention (EI) and the factors preceding the founding of EI among secondary students	Theory of planned behaviour, 202 students sample of secondary students, both studying general academic and specific professional programs, Questionnaire survey.	Marques et al., 2012
4	Factors that influence the intention of engineering students to participate in entrepreneurial activities	Integrated model of TPB and SEE, 155 samples of student studying in Hong-king University. Questionnaire survey	Leung et al., 2012
5	Role of education in entrepreneurial intention.	SEE model, 354 final-year undergraduate students from Business and Economic Sciences, Questionnaire survey.	Liñán, 2004
6	Entrepreneurial Self-Efficacy and Intention of University Students	Factors from TPB and SEE. 1,554 university students from three research universities in Malaysia. Questionnaire survey	Pihie, 2009
7	Impact of Gender, Entrepreneurial Self-Efficacy on Entrepreneurial Career	5,000 middle/high school students in four geographic states or regions (New England, Illinois, California,	Wilson et al., 2007

	Intentions:	and Texas/Florida/ Tennessee). Questionnaire survey	
8	Role of entrepreneurship education on developing entrepreneurial skills	Model comprising Relationship Between Entrepreneurship Indicators and Ventures' Effectiveness. 170 samples from entrepreneurs and individuals from US. Questionnaire survey	Elmuti et al., 2012

3. Hypothesis Development

Perceived desirability is the degree of attraction one has for the prospect of starting a new business (Krueger et al., 1993). Previous study shows that intention is associated with perceived desirability (Krueger et al., 1993; Shapero and Sokol, 1982; Liñán, 2004). In line with previous researches we have perceived desirability in our research framework. Entrepreneurial education is the key element for developing entrepreneurial attitude and intention. Educational initiatives were considered as most potential to generate entrepreneurs. Education influences individual performance and can act as catalyst for the development of entrepreneurial intention (Potter 2008). Students' self-efficacy is the self assurance that they could successfully engage in entrepreneurial behaviour which stems from their abilities and skills (Hattab, 2014). Thus, entrepreneurship education is more likely to positively influence attitude and self-efficacy of any individuals that are required to become an entrepreneur. Further, attitude and self-efficacy will positively relate to the intention. Table 2 provides the definitions of factors that we are using in our proposed framework.

Table 2 The definitions of factors

Factors	Definitions	Citations
Perceived desirability	Perceived desirability is the degree to which one finds the prospect of starting a business to be attractive; in essence, it reflects one's affect toward entrepreneurship	Krueger, 1993
Self -efficacy	Self-efficacy is a person's belief in his or her capability to successfully perform a particular task.	Bandura, 1997
Entrepreneurial education	It is the measure of education that an individual expect to enhance entrepreneurship skill set and environment	Liñán, 2004
Attitude	An attitude towards entrepreneurship is an individual perception on working as the owner of a business	Lu'thje and Franke, 2003
Entrepreneurial intention	Intention to become an entrepreneur. Entrepreneurial Intention establish key initial characteristics for new organizations	Krueger, 1993; Iakovleva and Kolvereid, 2009

Based on the discussions we can hypothesize that:

H1: Entrepreneurial education will positively relate to perceived desirability.

H2: Entrepreneurial education will positively relate to attitude.

H3: Entrepreneurial education will positively relate to self-efficacy.

H4: Perceived desirability will positively related to Entrepreneurial intention.

H5: Attitude will positively relate to Entrepreneurial intention.

H6: Self-efficacy will positively relate to Entrepreneurial intention.

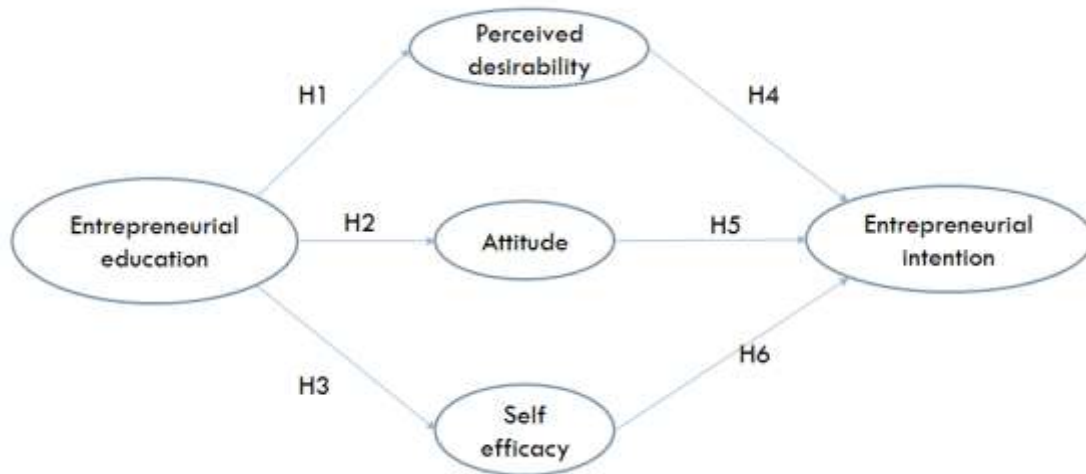


Fig 2: Proposed framework

4. Methodology

In this research, online questionnaire-based survey method was used. A questionnaire with 21 items (appendix I) comprising six dimensions: Self-efficacy, perceived desirability, entrepreneurial education, entrepreneurial attitude and entrepreneurial intentions were constructed. Items of each construct must describe the concept in order to generalize the findings. Thus, in this study, development of items for measuring the constructs are adopted and modified in the research context from previous researches conducted by Krueger, 1993; Burger, 1979; Anitsal, 2012; Lu'thje and Franke, 2003; Iakovleva and Kolvereid, 2009. In the present study, data were collected through questionnaire survey. Samples were targeted graduate students from Northeast part of India. A brief description of the study was explained in the questionnaire to make it understandable to the respondent about the research context. Questionnaires were distributed online through google form and the respondents were instructed to indicate their level of agreement with the statements in the item using a five-point Likert-type scale. Altogether, 114 valid responses were collected and used for analysis.

5. Analysis And Results

In this study we used SmartPLS 2.0.M3 for the data and structural path analysis. Partial least squares (PLS) is a powerful method of analysis because of the minimal demands on measurement scales, sample size, and residual distributions. The literature supports that the minimum sample size for PLS should be larger than 10 times the largest number of structural paths directed at a particular construct in the inner

path model (Chin, 1997; Khire et al, 2016). In this proposed research model, structural paths directed at a particular construct in the inner path model is six, whereby, “intention to use” with 3 paths has the largest number of structural paths. Thus, sample size 114 satisfies the minimum requirements. Analysis of data is done in two steps, confirmatory factor analysis (CFA) and structural modelling. CFA analysis represents the reliability and validity of the constructs. Convergent validity can be confirmed by testing item loadings, composite reliability, and AVE (Khire et al, 2016). Composite reliability (CR) of the items should be above 0.7 (Fornell and Larcker 1981); average variance extracted should be above 0.5 (Hair et al, 2010); the square root of AVE should be higher than the inter-construct co-relations (Fornell and Larcker 1981; Khire et al, 2016). Individual item standardized loading should be above 0.5 (Hair et al, 2010) and significant p-value of loading is $P < 0.05$ (Gefen and Straub, 2005). In this research model, all the used constructs have higher than the required values of factor loading with significant p-value, CR, AVE and square root of AVE, which confirms the convergent and discriminant validity. All the results of our analysis are satisfying the criteria. **Table 3** shows the reliability and validity of the constructs. **Table 4** shows correlation of constructs. **Table 5** shows loadings and t-value of the items. **Table 6** shows the Hypothesis testing results.

Table 3: Reliability and validity of constructs

Constructs	AVE	CR	\sqrt{AVE}
ATT	0.7547	0.902	0.868735
EI	0.8036	0.9424	0.896437
EE	0.7535	0.9483	0.868044
PD	0.6751	0.8925	0.821645
SE	0.7468	0.9217	0.864176

Abbreviations: CR = composite reliability; AVE = average variance extracted (also in parentheses). ATT= Attitude; EI= Entrepreneurial intention; EE= entrepreneurial education; PD= perceived desirability; SE= Self-efficacy.

Table 4: Shows correlation of constructs

	ATT	EI	ET	PD	SE
ATT	1	0	0	0	0
EI	0.6289	1	0	0	0
EE	0.8377	0.6615	1	0	0
PD	0.6995	0.7701	0.6463	1	0
SE	0.7095	0.5704	0.7291	0.56	1

Table 5: Loadings and t-value of the items

Items	Item loadings	t-value
ATT1	0.863	9.3823
ATT2	0.8158	10.8432
ATT3	0.9241	15.4459

EE1	0.911	15.4437
EE2	0.8809	16.2184
EE3	0.8571	15.3848
EE4	0.8335	13.9606
EE5	0.8837	15.3439
EE6	0.8397	11.3596
EI1	0.8735	15.8978
EI2	0.907	16.3844
EI3	0.9243	19.5221
EI4	0.8802	15.9733
PD1	0.8517	11.321
PD2	0.8318	13.4394
PD3	0.8191	10.0901
PD4	0.7825	9.9877
SE1	0.8302	11.4094
SE2	0.8117	9.2966
SE3	0.9122	16.3941
SE4	0.8983	16.8398

Table 6: Hypothesis testing results

	Path coefficient	T -value	P -value	result
Attitude -> Entrepreneurial intention	0.1954 ~ 0.2	1.7197	P<0.05	Significant
Entrepreneurial education -> Attitude	0.6730	8.3343	P<0.001	Significant
Entrepreneurial education -> Perceived desirability	0.6606	8.1694	P<0.001	Significant
Entrepreneurial education -> Self Efficacy	0.6984	8.3560	P<0.001	Significant
Perceived desirability -> Entrepreneurial intention	0.3380	2.1721	P<0.05	Significant
Self- Efficacy -> Entrepreneurial intention	0.3826	3.5524	P<0.05	Significant

All the hypotheses in the table 6 are significant with p-value <0.001, path coefficients are as per the required values suggested by Hair et al, (2010), i.e., 0.20 is acceptable, whereas, 0.30 is ideal.

6. Implication

This study successfully tested proposed model that were developed by referring “Entrepreneurial Event” model proposed by Shapero and Sokol’s (1982) and Liñán’s (2004) “Entrepreneurial Intention Model”. Results show that entrepreneurial education is playing vital role for developing intentions.

Entrepreneurial education is influencing positively to attitude, self-efficacy and perceived desirability. Further attitude and self-efficacy are positively influencing intention, which is in line with the Liñán's (2004) and perceived desirability is positively influencing intention, which is in line with the Liñán's (2004) and Shapero and Sokol's (1982). Therefore, efforts must be taken to enhance those abilities among graduate students. Institutions and Policy maker should design a curriculum and events that can provide entrepreneurial environment through various events and awareness programs by giving the opportunity to interact with the role models. Also effort should be taken for built up the attitude and desirability of young graduates.

7. Limitation and future work

There are a few research limitations of this study. This study was conducted in the northeast India, Tripura with 114 samples which can vary different part of the country. Future research may conduct in different other areas of the country also with large number of samples may vary the results. Also, the proposed research model only considers only one independent variable i.e. entrepreneurial education. Future research may consider variables and moderating effects of gender or other variables.

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Appendix I:

Sl. No.	Constricts	Items
1.	Perceived Desirability	I would love to do business in future.
2.		I will be not much tensed to start new business.
3.		I would be very enthusiastic if I start my own business.
4.		I have stong desire to start my own business.

5.	Entrepreneurial intentions	I think I will start a business.
6.		My intention to start own business in the few years is more.
7.		I have plan to be self-employed in the foreseeable future after graduation.
8.		I often think of starting and running my own business
9.	Perceived Self-Efficacy	I am confident to solve my own problems
10.		I think I am very creative person.
11.		I have leadership quality
12.		I can make decisions
13.	Attitude	‘I’d rather be my own boss than have a secure job
14.		We can only make big money if we are self-employed
15.		I’d rather start a new business than be the manager of an existing one
16.	Entrepreneurship education	Entrepreneurial education should create entrepreneurial environment
17.		Entrepreneurial education should provide greater recognition of the entrepreneur’s figure (Example of role models)
18.		Entrepreneurial education should be capable to build up the preference to be an entrepreneur
19.		Entrepreneurial education should enhance the necessary abilities to be an entrepreneur
20.		University curriculum should include entrepreneurship related subjects
21.		University curricular should include Entrepreneur training programs