FACTORS INFLUENCING ENTREPRENEURIAL INTENTION: A CASE OF STUDENTS IN A SOUTH AFRICAN UNIVERSITY

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ABSTRACT

Entrepreneurship has been globally adopted as a strategic approach in facilitating economic participation among youth. On an individual level, entrepreneurship affords young people their independence and autonomy to pursue their dreams. The main purpose of this study was to investigate the factors that motivate youth entrepreneurial intention amongst students in a South African university. Using a cross-sectional design with a quantitative structured questionnaire, a sample of 247 students was interviewed and the collected data was analysed with Principal component analysis. The results showed four major factors that influence students’ entrepreneurial intentions. These factors include the quest to create sustainable employment, the need for independence and self-development, the quest to use one’s knowledge and search for financial security and finally to take risks and challenge oneself.

Keywords: Entrepreneurial Intentions, Employment, Financial Security, Business Risk.

JEL Classifications: L2.

INTRODUCTION

As one of the most unequal countries in the world, creating jobs in view of poverty alleviation is critical in South Africa. And with youth unemployment standing at around 65% (Herrington et al., 2017) serious measures have to be put in place to provide economic opportunities as Altman et al. (2009) purported that the expansion of employment opportunities is one of the key areas in which poverty and inequality can be addressed. Therefore, conducting research on the entrepreneurial ecosystem in South Africa, especially amongst university students is one of the many ways of striving to make a difference in figuring out possible solutions in improving the current economic climate, stimulating growth and alleviation of high unemployment.

It is very unlikely that the unemployment problem can be cured when the growth in the formal sector is not high enough to absorb a sufficient number of people in order to solve the unemployment problem (Herrington et al., 2017). The data in the Global Entrepreneurship Monitor (GEM) South African report 2017 highlights the low prevalence of entrepreneurial activity among youth in South Africa. South Africa’s figures for youth in the early stage entrepreneurial activity are inferior to the average in Africa and lower than the norm in efficiency-driven economies (Herrington et al., 2017). This is concerning, taking into account that youth
represent a high percentage of the South Africa population, especially youth under the age of 24, and representing almost 50% of the total population. Entrepreneurship is an avenue that can help solve the unemployment pandemic in South Africa as studies (Van Aardt et al., 2010; Abor & Quartey, 2013; Ujwary-Gil & Klincewicz, 2015) have shown that entrepreneurship through small businesses lead to the creation of employment, is an avenue for increasing income levels which as a result creates wealth and reduces poverty. This assertion is supported by Musengi-Ajulu’s (2010) study which found out that the small business sector has been acknowledged by the government as a key driver and contributor to economic growth at both provincial and national levels.

In the South African context as well, the small business sector has been acknowledged by the government as a key driver and contributor to economic growth at both provincial and national levels (Musengi-Ajulu, 2010). This goal can be realized through advancement in youth entrepreneurship.

**LITERATURE REVIEW**

Entrepreneurship intention focuses on an individual’s motivation to start a business, and these are internal motivation and positive perceptions of starting a business (Lorz & Volery, 2011). Entrepreneurial intention is thus defined as "Self-acknowledged conviction by a person that they intend to set up a new business venture and consciously plan to do so at some point in the future" (Thompson, 2009). Intention is thus a conscious plan & Ajzen (2002) the proponent of the theory of planned behavior postulates that one’s intention is a strong predictor of planned behavior.

In addition to understanding entrepreneurial intention, it is important to consider the motives for engaging in these entrepreneurial activities. According to Pruett et al. (2009) an individual’s perception of motives and barriers to enter or venture into business affects his or her intention. Yalcin & Kapu (2008) state that there are two noteworthy pieces that should be considered when studying the entrepreneurship process; these parts include the motives and problems of entrepreneurs. Shane et al. (2003) find that human motivations are central to the entrepreneurial process.

Research by Radipere (2013) indicates a number of forces that encourage people to become entrepreneurs, which include:

1. The desire for independence gained from working for oneself
2. Possible attainment of financial rewards
3. The sense of accomplishment gained from running a business
4. Desire to support family and improve the community through entrepreneurship
5. High need for achievement
6. Identification of an opportunity in the market Adapted from Radipere (2013).

Chu et al. (2007) analyzed the motivation for business ownership (success characteristics) in Kenya and Ghana and found that the quest to earn a higher income and job creation were primary reasons for entrepreneurial activity. There are other factors that have an impact on youth entrepreneurial intention, namely, the willingness to take risk, fear of failure, and possessing business skills (Papulova & Makros, 2007; Robinson, 2008). Other factors such as the desire for independence, job stability, financial security, the existence of a family business and need for achievement also influence entrepreneurial intention (Sloka et al., 2014; Barba-Sánchez & Atienza-Sahuquillo, 2018; Ojiaku et al., 2018; Arranz et al., 2019; Mothibi & Malebana, 2019).
Maziriri et al., (2019) discovered that having an entrepreneurial role model positively and significantly influences entrepreneurial intentions. These role models may include family members, guardians or resource persons at one’s school. The role played by education in fostering entrepreneurial intentions can also not be overstated as Gieure et al. (2019); Shahid et al. (2018) concluded that business knowledge, training and one’s educational context influence entrepreneurial intentions positively.

Alarming South Africa’s entrepreneurial intention levels are lower than other African countries and in addition, entrepreneurial intention levels dropped by more than a third (from 15.4% to 10.1%) in comparison with 2013 statistics (Herrington et al., 2017). The persistent trend of low unemployment figures and low entrepreneurial intention is cause for concern.

**Theoretical Framework**

There are many forces that drive a person to become an entrepreneur (Nieman & Nieuwenhuizen, 2009). The primary theory around entrepreneurial motivations has been categorized as push (necessity) and pull (opportunity) factors. Researchers have looked at why individuals choose to be self-employed, and the extent to which it is a voluntary choice. Therefore, the theory underpinning the study was the push and pull theory. Figure 1 showcases influences that result in an individual becoming an entrepreneur.

The basic elements of the theory are presented in the figure below;

**FIGURE 1**
PUSH AND PULL THEORY OF ENTREPRENEURSHIP (SOURCE: COMPILED BY THE RESEARCHERS)

**METHODOLOGY**

Using the survey method, quantitative cross-sectional data were solicited from youth in their final year of undergraduate study and postgraduate level at the University of Kwa-Zulu Natal, Pietermaritzburg, South Africa. From the literature review, 20 factors were chosen and included in the questionnaire. Data were collected using structured questionnaires, which were distributed to 300 participants recruited through Snowball sampling. Out of the 300 distributed questionnaires, 247 were retrieved, yielding a response rate of 82%. Principal component analysis (PCA) was then used to analyse the data. PCA reduces a dataset making it is easier to identify possible patterns, trends and outliers in the data but still retain most of the original information (Richardson, 2009). PCA is commonly used in analyzing large data sets because it uses a mathematical projection, according to Di Franco et al. (2013) that shrink the original
Data set; that may have involved many varied variables and factors into more comprehensible and interpretable form.

**FINDINGS AND DISCUSSIONS**

The Cronbach’s Alpha Reliability test for the dataset yielded a coefficient of 0.89%, which is greater than the acceptable threshold. In terms of the respondents, a majority (71%) of them were between the age of 20 and 25, then the 26 -30 age group (19%) followed by the 31-35 age group (10%). Male respondents were in minority (47%) as the majority of participants were female representing 53%. Almost half (118 respondents; 47%) of the respondents were in their 3rd year (final year of undergraduate level in South Africa), 21 respondents (9%) pursuing a post-graduate diploma, 70 respondents (28%) were doing their honours, while 29 (12%) were masters students. Only a small percentage (4%) were PhD students.

**Principal Component Analysis – Motives For Entrepreneurship**

Keiser Meyer Olkin (KMO) measure of sampling adequacy and Bartlett’s test of Sphericity for principal component analysis are shown in Table 1. Here, the KMO is 0.912, which indicates that the sample is excellent for PCA.

<table>
<thead>
<tr>
<th>Kaiser-Meyer-Olkin Measure of Sampling Adequacy</th>
<th>0.912</th>
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<tbody>
<tr>
<td>Bartlett's Test of Sphericity</td>
<td></td>
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<tr>
<td>Approx. Chi-Square</td>
<td>2063.408</td>
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<tr>
<td>Df</td>
<td>190</td>
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<tr>
<td>Sig.</td>
<td>0.000</td>
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On the basis of Varimax Rotation with Kaiser Normalisation, 4 components were extracted. The four extracted components explain approximately (64.35%) of variability of factors that motivate youth entrepreneurship intention.

<table>
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<tr>
<th>Rotated Component Matrix</th>
<th>Component</th>
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<tbody>
<tr>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Provide employment</td>
<td>0.832</td>
</tr>
<tr>
<td>Support for potential entrepreneurs</td>
<td>0.801</td>
</tr>
<tr>
<td>Provide job security</td>
<td>0.8</td>
</tr>
<tr>
<td>Take advantage of creative talent</td>
<td>0.658</td>
</tr>
<tr>
<td>Earn opportunities in the market place</td>
<td>0.585</td>
</tr>
<tr>
<td>Be my own boss</td>
<td>0.509</td>
</tr>
<tr>
<td>Earn a reasonable living</td>
<td>0.453</td>
</tr>
<tr>
<td>To gain personal freedom</td>
<td>0.777</td>
</tr>
<tr>
<td>Own satisfaction and growth</td>
<td>0.647</td>
</tr>
<tr>
<td>Realise my dreams</td>
<td>0.631</td>
</tr>
<tr>
<td>Enjoy myself</td>
<td>0.617</td>
</tr>
</tbody>
</table>
Findings from the principal component analysis are illustrated in Table 2, which indicates the emergence of four main components as a result of the rotated component matrix. The resulting variables that have been included in each of the core components are named as follows:

- COMPONENT 1: Sustainable employment creation
- COMPONENT 2: Need for independence and personal development
- COMPONENT 3: Use of one’s knowledge and quest for financial security
- COMPONENT 4: Risk-taking and challenging oneself

The discussion of the components is as follows:

**Component 1: Sustainable Employment Creation**

After rotation, component 1 accounted for (44.06%) of the variance explained and contained seven-item loadings ranging from 0.832 to 0.453. The factor was labelled “Sustainable employment creation” because it composed several variables that addressed the respondents need to be self-employed and be their own boss. The factor was overall the uppermost motivation for young people to engage in entrepreneurship. This shows that youth entrepreneurship is highly motivated by pull factors, reinforcing the pull factors discussed in the theoretical framework. Kirkwood (2009) stated that pull factors are foremost variables ranging from monetary motivations, need for independence, opportunity and self-fulfilment. Kirkwood’s supposition is clearly depicted in the results that affirm that an individual’s foremost motivation is centred on their need for self-fulfilment, be it monetary or otherwise. In contrast, Kew et al. (2013) findings showcase that 32% of youth in Sub-Saharan Africa are necessity driven entrepreneurs. The statement suggests that young people in Sub-Saharan Africa are more likely to be pushed into starting their own business because they have no other work options and need a source of income.

The results are synonymous with Sloka et al. (2014) that found that, the highest motivation variables were to be my own boss, create my own jobs, make my own decisions and maintain personal freedom. Stefanovic et al. (2010) Barba-Sánchez and Atienza-Sahuquillo, (2018) also found the central motivational factor was the need to ‘be their own boss’, followed by ‘the ability to use experiences and training, to increase income and lastly personal freedom.’ This factor according to Stefanovic et al. (2010) explained 20.16% of the variance. In accordance, the key factor of the study explains 44.06% of the variance. Fatoki (2010) study on entrepreneurial intention in South Africa found that the highest motivator is the quest to provide
employment. The results indicate that most graduates to an extent become entrepreneurs due to an intrinsic fear of unemployment. The need to provide and have a sense of security may be the driving force. Herrington et al. (2017) state that unemployment levels in South Africa are increasingly high, thus the need to provide employment could be motivated by push factors rather than pull factors.

The implications are that young people believe that they may be able to achieve more by acting alone than relying on someone else. Kew et al. (2013) confirm this theory by stating that the desire to ‘go it alone’ drives young people to establish start-ups. They are motivated to provide employment for themselves, rather than wait for an employer to hire them. This shows considerable prospects for South Africa, being that young people are vigorously eager to make an impact in the economic mainstream if given the chance, however they may be burdened by obstacles that deter them from following their ambition.

Component 2: Need for Independence and Personal Development

The second factor is referred to as ‘need for independence and personal growth’. The factor had four-item loadings ranging from 0.777 to 0.617. This factor accounts for 8.59% of the variance and contained variable such as ‘motivated to gain to gain personal freedom, for my own satisfaction, to realise my dreams and to enjoy myself.’ Modern-day entrepreneurs want to be independent and want to have control of their own time and destiny. They according to Stefanovic et al. (2010) want to be able to organise their time in a manner that suits them and having ‘independence’ were key motivating factors for entrepreneurial intention. This study is supported by Radipere (2013); Barba-Sánchez & Atienza-Sahuquillo, (2018) which ranks independence as the number one pull factor into entrepreneurship. It seems that people, therefore, find the prospect of independence enticing, they are also attracted to the prospect of being their own boss and the potential financial rewards.

Ojiaku et al. (2018) underlines the importance of the desire for independence, uttering the ‘need for independence’ as a major factor as to why young entrepreneurs start a business. Many young people strive for independence that comes for working for one self, they have full control, which is why many young people according to Kew et al. (2013) guard their independence frugally. In fact, when asked about the key measure of success, many young people cited that the opportunity to choose what to do and how to do it was very important (Arranz et al., 2019) which corroborates the findings from this paper.

Component 3: Use of one’s Knowledge and Quest for Financial Security

The third factor was named “Use of one’s knowledge and quest for financial security” because it encompassed variables that dealt with the need to utilize learned skills and increase prestige and status, thus intern creating financial security. The third factor explained 6.06% of the variance in the data and had six loadings ranging from 0.709 to 0.536. This motivation factor represents young people’s strong need for personal achievement and expansion of knowledge. This factor according to Mitchell (2003); Radipere (2013) relates to the motivation to grow and develop as a person, learning new skills and ideas which can be used in the future.

Kew et al. (2013) proclaim that young entrepreneurs typically have a strong belief in themselves, their abilities and their products. Many young people mentioned that their skills and vision were the key instruments that provoked them to decide on the type of business to establish. This is encouraging because if young people’s motivation is centred on utilising their
skills and knowledge, it means that they want to develop as individuals and make an impact in the economic environment. In addition, Kew et al. (2013) found out that youth in Sub-Saharan Africa believe that that they have the necessary skills and knowledge required starting a business. This phenomenon may be due to Gieure et al. (2019) finding which claim that training in entrepreneurship makes individuals highly skilled and therefore raises their propensity to want to start a business.

Component 4: Risk-taking and Challenging one’s self

The fourth and final factor was identified as “Risk-taking and challenging oneself” After rotation, the factor account for (0.56%) of the total variance explained. This factor had three-item loadings ranging from 0.739 to 0.512. It included items such as “I enjoy taking risk”, to “Follow the example of someone admired and to challenge oneself”. Shane et al. (2003) study suggests that variation across people in their perceptions of risk and opportunity influence entrepreneurial decisions. People, therefore, differ in how they perceive the risk of spending their resources before knowing the potential outcomes. The probability of success in an entrepreneurial venture is low; especially in South Africa and those that are willing to take the risk despite these odds might be more optimistic than those deterred by the odds. The desire to take risks although slight still is perceived as a motivation.

‘To challenge oneself’ is also an important variable to assess as researchers argue that individuals that have a high need for achievement are more likely than those who have low need for achievement to engage in activities that have a high degree of individual responsibility (Radipere, 2013). Mkubukeli (2016) affirms that aspiring entrepreneurs are usually driven by the need for achievement. This is supported by the studies of Arranz et al. (2019), in which the overall findings suggest that need for achievement was significantly related to starting a company, therefore the variable ‘Challenging oneself’ is useful in differentiating between entrepreneurs and non-entrepreneurs.

In addition to risk-taking, having an entrepreneurial family background or influence significantly impacts entrepreneurial intentions. These findings are supported by Mothibi & Malebana (2019) study in South Africa.

Although the component ‘risk-taking and challenging oneself’ ranked as the lowest factor, it remains important in eliciting motivation among young people.

CONCLUSION AND RECOMMENDATION

Given that South Africa is characterized by high levels of unemployment coupled with the government sector not being large enough to accommodate and absorb the number of youths and graduates, the focus has to be shifted from traditional forms of employment to more sustainable measures such as youth entrepreneurship. The phenomenon means that there is a high demand for jobs as graduates are unable to turn to the job market, thus an opportunity arises. To be able to realize the advantages youth employment brings, policymakers need to put some measures in place.

Firstly, the University of KwaZulu Natal, like all South African universities, must continue to prioritise programs that enhance entrepreneurial training and development. A continuous partnership with NGOs such as ENACTUS, which are committed to using entrepreneurial actions to bring about community transformation needs to be encouraged. ENACTUS is an international nonprofit organization which is aimed at inspiring students to use
entrepreneurial actions to impact the world through community development projects.

Universities should also develop platforms where persons with business ideas may go for expert advice relating to legal, financial and management issues. The government should also do well to create an enabling environment to help propel youth entrepreneurship. Universities should also engage bodies such as the National Youth Development Agency (NYDA) and the Small Enterprise Finance Agency which are mandated to aid youth development in the country. The NYDA which was established by the Act no 54 of 2008, of the South African parliament, with the aim of tackling all developmental issues affecting youth in the country. Furthermore, the Small Enterprise Finance Agency was established at the back of the President’s 2011 State of the Nation Address to ensure formation, development and growth of businesses in order to create jobs, alleviate poverty and foster economic development. The resources provided by these bodies, such as funding, provision of information, career guidance, mentorship, skills development and training, should be taken advantage of by universities on behalf of their students.

Additionally, positive media coverage about youth entrepreneurship should be encouraged, because it would increase the visibility of successful entrepreneurs. This would be beneficial to budding entrepreneurs or aspiring entrepreneurs. The focus on successful and up and coming entrepreneurs in the media would motivate and ensure the dissemination of information regarding alternative career paths. GEM report establishes that media coverage is influential in increasing the visibility and attractiveness of entrepreneurship. In addition, it also increases the likelihood of gaining the support of society, making it easier to attain customers, find vendors, investor’s suppliers and mentors. In addition to that, information regarding business regulations should be clearly articulated and made available to students in all universities.

A limitation of the study stems from the fact that only postgraduate students at the Pietermaritzburg campus were considered for the study, whereas the entire university has over 13,000 postgraduate students. Hence, the findings should be interpreted with restraint to avoid generalizing to the entire postgraduate student body of the entire university as well as all universities in South Africa. It is therefore suggested that further studies be conducted with bigger sample sizes across different universities to discover factors influencing entrepreneurial intentions across board. Undergraduate students should also be included in the sample.

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REFERENCES


