

# FACTORS INFLUENCING THE ENTREPRENEURIAL INTENTION OF BUSINESS GRADUATE STUDENTS OF SAUDI ARABIA UNIVERSITY

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## ABSTRACT

*Entrepreneurship means the person ability to start a new venture and create employment. Entrepreneurship is a key factor for economic development. The aim of this study is to analyze the impact of factors (independent variables) such as personality traits, enterpreneur education, prior business experience, relational support, eneterpreneur utility, age and gender on entrepreneurial intentions (Dependent Variable) among business graduate students of Saudi Arabia University .The primary data was collected by a self-designed structured questionnaire. The Cronbach Alpha Reliability test was conducted on every variable. Pearson Correlation Coefficient was conducted to determine whether the exposure to entrepreneurship education created any impact on the enterpreneurial intention of students. Multiple Linear Regression Analysis were conducted in this study to observe the impact of independent variables (personality traits, enterpreneur education, prior business experience, relational support, eneterpreneur utility, age and gender) on the dependent variable (Enterpreneur Intention). Findings of this study will help educational institutions and government to understand the factors affecting the entrepreneurship intention among business graduate students and frame adequate polices to support entrepreneurial activity.*

**Keywords:** Business Graduate Students, Enterpreneur Intention, EI, Entrepreneurs, Factors.

## INTRODUCTION

Entrepreneurship is the main source of economic growth and innovation in developed as well as in developing economies (Fayolle & Linan, 2013; Karimi et al., 2014). Entrepreneurs are considered as the backbone for social and economic growth of any society (Audretsch et al., 2006; Koellinger & Thurik, 2012; Praag & Versloot, 2007). In Saudi Arabia, thousands of students graduate from universities every year, but only a few of them intend to start their own businesses. Brenner et al. (1991) reported that although 55% of the respondents preferred business as a career, only 5% of the students specified the willingness to operate their own business. To promote entrepreneurship in different countries, public, private and governmental organizations are taking various measures (Katz, 2003; Kuratko, 2005; Bruce C. Martin et al. (2013). In a developing country, the role of entrepreneurship development is more important than that in developed countries so far as the creation of self-employment opportunities and reduction of unemployment situations are concerned (Urbano & Aparicio, 2015). The current economic crisis has resulted in alarmingly high unemployment figures in every nation. The purpose of this study is to emphasize the need for university graduates to focus on self-employment instead of looking for doing job as a survival strategy. Entrepreneurship will develop the career of students and also ease unemployment issue. (Thurik et al., 2008). Therefore, it is important to know the factors that influence students intentions to become self employed. Students entrepreneurial intention

may be affected by different factors. This paper aims to identify those factors that influence the entrepreneurial intention of business graduate students of Saudi Arabia University. This study can help all academic institutions and educators, to frame an appropriate policy to foster entrepreneurship in universities and consequently in the society.

## **LITERATURE REVIEW**

### **Entrepreneurial Intention (Dependent Variable)**

As rightly quoted by Norris F. Krueger, J.R; Michael D. Reilly and Alan L. Carsrud, (2000) entrepreneurial activities are intentional based and intention comes first before they become entrepreneurs. Entrepreneurial intention can be defined as willingness of individuals to start their own business venture. (Thompson, 2009). According to Koe, Wei-Loon & Sa'ari, Juan Rizal & Majid, Izaidin & Ismail, Kamariah. (2012), EI refers to the determination and eagerness of a person to undertake a new business venture.

### **Factors influencing the EI (Independent Variables)**

**Personality traits:** Gartner (1988) stated that the entrepreneurs have a specific set of personality. Shaver and Scott, 1991 described personality traits as predictors of entrepreneurship intention and related it with getting success in running a business. Scale of Big Five personality trait is treated as the most stable scale to measurable personality trait. Goldberg, L.R. (1993) concluded that "Agreeableness", "openness to experience", "extraversion" and "conscientiousness" of big five personality traits positively influences entrepreneurship; "neuroticism" negatively influences entrepreneurship.

**Entrepreneurship education:** Entrepreneurship education influences the students' career choice (Peterman and Kennedy, 2003). Entrepreneurship education helps in the development of entrepreneurial behaviours, entrepreneurial knowledge and entrepreneurial activity (Liñán, 2004). Some researchers Galloway et al. (2005) claim that individuals with entrepreneurship training are more likely intend to start new venture and identify market opportunities as compared to the individuals without training (DeTienne & Chandler, 2004). Souitaris et al. (2007) found that entrepreneurship programs motivates students to choose entrepreneurship as their career option. Wilson et al. (2007) found that entrepreneurship education can increase students interest in entrepreneurship as a career. Turker, D. and Sonmez Selcuk, S. (2009) conducted a study among university students in Turkey and concluded that university education has a positive impact on entrepreneurial intention. The findings of Mumtaz et al. (2012) in Malaysia and Tessema Gerba, D. (2012) emphasized that entrepreneurship education does strongly influence the entrepreneurial intention among university students.

**Prior Entrepreneur experience:** Prior exposure refer to any previous experience related to business, which can affect the attitude towards entrepreneurship (Krueger 1993). Kolvereid (1996) stated that people with prior business experience have higher EI as compared to those with no prior experience. Drennan et al. (2005) found that individuals who hold a positive view of their family business have intention to start new venture.

**Relational support:** It refers to the approval and support from the family, friends, and others to involve in entrepreneurial activities (Türker & Selçuk, 2009). Nandaand Sorensen, 2006 emphasised on the role of friends in influencing the career decision. According to Postigo et al. 2006, the role models provide the necessary guidance and support to become enterpreneur. Nanda and Sorensen, (2006) conducted study among young Australians and concluded that friends influence their decision to start a business. The Altinay et al. (2012) conducted a study on university hospitality students in UK and found that family business

background influence their EI. Zapkau et al. (2014) found that the parental role models positively influence the EI. Yurtkoru et al. (2014) conducted a study among 425 Turkish university students and concluded that family support, friends and close network significantly influence their EI.

**The entrepreneurial utility:** The entrepreneurial utility refers to the benefits of self-employment or starting the new venture. This theory is based on the fact that people will choose to be entrepreneurs if the total benefit obtained from a business venture is more than the expected benefit or from the job employment available in the market.

**Age and Gender:** Mazzarol et al. (1999) state that females were less likely to be founders of business than male. Findings of Mazzarol et al. (1999); (Kolvereid, 1996) supported the fact that males had comparatively higher EI than females. Research has also proved that readiness to establish a company declines with age. So age is also one of the factor affecting the EI. Reynolds (1997) found that seventy percent companies in USA have been established by people between the age group from 25 to 34.

From the review of related literature, it has become evident that the identification and study of students entrepreneurial characteristics assumes special relevance for the development of adequate educational programs related with entrepreneurship and business creation. If the entrepreneurial intentions of the current students are known, than it might be very useful to frame strategies to convert intention into real businesses and to further enhance the startup opportunities. Hence present study is undertaken to serve the purpose.

### Research Objectives:

1. To identify the factors that influence the EI among business graduates students in KSA.
2. To identify the causes of low Entrepreneurial intention among college graduates in KSA.
3. To analyze the impact of (independent variables) such as personality traits, entrepreneur education, prior business experience, relational support, entrepreneur utility, age and gender on entrepreneurial intentions (Dependent Variable) among business graduate students of Saudi Arabia University.
4. To suggest suitable measures for the improvement of entrepreneurial intention in business graduate students of KSA.

## MATERIALS AND METHODS

The research design was descriptive in nature. Both primary and secondary data sources were used. Data was collected by simple random sampling method. The sample consisted of 200 business graduate students of Saudi Arabia university. Data collection was done by a self-designed structured questionnaire. Pilot study was conducted. Data was analyzed with help of SPSS analysis tools for predicting the entrepreneurial intention among business graduate students. The primary data was collected from business graduate students of Saudi Arabia university. The secondary data was collected from websites, Journals, textbooks etc. A five-point likert scale was used to measure the responses. from “*strongly disagree*” to strongly agree. Data collected was statistically analyzed using SPSS version 22. Entrepreneurial intention was the dependent variable and factors influencing entrepreneurial intention the independent variable. A total of 7 independent variables including the personality traits, entrepreneur education, prior business experience, relational support, entrepreneur utility, age and gender was used to analyze their effect on the entrepreneurial intentions (dependent variable). Statistical Tools used included the Mean, Percentage, Standard Deviation, correlation, Linear Regression. Scaling techniques included the Likert’s five point scale. Multiple regression Model was applied to analyze the data using IBM SPSS 22.

### Research Hypothesis:

**H<sub>0</sub>:** *There is no significant effect of independent variables such as personality traits, entrepreneur education, prior business experience, relational support, entrepreneur utility, age and gender on entrepreneurial intentions among business graduate students of Saudi Arabia University.*

**H<sub>1</sub>:** *There is a significant effect of independent variables such as personality traits, entrepreneur education, prior business experience, relational support, entrepreneur utility, age and gender on entrepreneurial intentions among business graduate students of Saudi Arabia University.*

## RESULTS AND DISCUSSIONS

Following interpretations were found. All the variables had a significant effect on EI as ( $p=0.000$ ) in all the cases. The correlation coefficients in Table 1 signifies that age ( $r=-0.506$ ) and gender ( $r=-0.592$ ) shows negative correlation with EI whereas entrepreneur education ( $r=0.604$ ), personality traits ( $r=0.553$ ), relational support ( $r=0.420$ ), prior business experience ( $r=0.409$ ) and entrepreneur utility ( $r=0.352$ ) had a positive correlation with EI. On analyzing the coefficients of correlation it can be concluded that entrepreneur education has the most significant effect on EI followed by personality traits, relational support, prior business experience and entrepreneur utility. Gender had the maximum inverse relationship with the EI followed by age.

Tables 2-4 shows the Model summary of the regression analysis in SPSS. The value of R is 0.821 and R square is 0.674 which shows that there is 67% variation in EI due to the following factors: Personality traits, entrepreneur education, prior entrepreneur experience, Relational support, entrepreneur utility, gender, age. This implies a very significant effect.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.821 <sup>a</sup>	0.674	0.662	7.63302

a. Predictors: (Constant), Personality traits, entrepreneur education, prior entrepreneur experience, Relational support, entrepreneur utility, gender, age.  
b. Dependent Variable: EI final

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	60.366	3.792		15.919	0.000
	Age	-2.806	0.482	-0.271	-5.825	0.000
	Entrepreneur Utility	0.657	0.588	0.051	1.117	0.266
	Personality Traits.	2.427	0.576	0.203	4.215	0.000
	Gender	-2.838	0.527	-0.262	-5.387	0.000
	Entrepreneur Education	2.223	0.579	0.187	3.840	0.000
	Relational support	1.839	0.531	0.184	3.461	0.001
	Prior Entrepreneur Experience	2.213	0.662	0.157	3.344	0.001

<b>Causes of low EI</b>	<b>Mean</b>	<b>Std. Deviation</b>	<b>N</b>
Lack of general business knowledge	4.22	0.752	200
Lack of knowledge on legal matters	4.01	0.794	200
Lack of innovative attitude	4.14	1.064	200
Lacking support from formal institutions	3.96	0.791	200
Fear Of failure	4.22	0.899	200
Lack of informal cooperation networks	3.98	0.838	200
Lack of entrepreneur training	4.10	0.970	200
Lack of financial resources	4.14	0.817	200

## **CONCLUSION**

It was found that personality traits, entrepreneur education, prior entrepreneur experience, relational support, had significant effect on entrepreneurial intentions among business graduate students of Saudi Arabia University. Based on the mean score, the causes of low Entrepreneurial intention among college graduates in KSA included lack of general business knowledge, lack of knowledge on legal matters, the lack of financial resources , lack of innovative attitude, lack of support from formal institutions, lack of confidence, lack of informal cooperation networks, lack of financial resources and fear Of failure. The above findings are supported by the study conducted by Smith and Beasley (2011) and Scuotto and Morellato (2013). On analyzing the coefficients of correlation it can be concluded that enterprenuer education has the most significant effect on EI followed by personality traits, relational support, prior business experience and enterprenuer utility. Age and Gender had the maximum inverse relationship with the EI.

## **SUGGESTIONS**

Entrepreneurship is important for economic development of any nation. It provides employment to rural individuals, women, the disabled, and minorities. All educational institutions must play an important role in promoting entrepreneurship by redesigning its curriculum and making entrepreneurship subject compulsory to develop entrepreneur skills in youth. Financial, human, technological and social networking resources are also necessary for the establishment of a business venture .The absence of these resources can influence entrepreneurial intention.

### **Scope of Future Research**

Further studies can be done to determine the factors that discriminate between students with strong entrepreneurship intention and those having weak entrepreneurship intention. Besides that, a specific study can be undertaken to identify the imminent possible obstacles faced by the students and the institutions in promoting entrepreneurship.

## LIMITATIONS OF THE STUDY

1. Random sampling method has been used in the study and it has its own limitations.
2. Results of the study may not be generalized to areas other than KSA.

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