

Entrepreneurial Intention of Management Students in Kathmandu Valley

Binod Ghimire, PhD.¹

Bashu Neupane²

Abstract

This study attempts to examine the relationship between risk tolerance and self-efficacy in entrepreneurial intention. A convenient sampling method was applied to select respondents. Self-structured questionnaires were used to collect the data. Out of the 180 questionnaires distributed to the graduated and post-graduate management students in Kathmandu valley, only 140 questionnaires were received and this study is based on the analysis of them. Descriptive and correlation research designs had been used to analyze them. The study concludes that risk tolerance capacity does not influence the students' intentions to start a new business. This result shows somehow inverse results than other previous studies. However, the study concludes that self-efficacy was important in determining the entrepreneurial intentions of graduates and post-graduate students. This result supports the previous study. Therefore, self-efficacy is to take positively related to entrepreneurial intention.

Keywords: Management students, entrepreneurial intention, risk tolerance, self-efficacy.

Background of the Study

Entrepreneurship is the act of innovating initiative, risk-taking, and implementing a new venture idea that is dreamed by an entrepreneur. It is a dynamic activity as it is concerned with the process of vision, change, and creation. It requires an application of energy and passion to implement new ideas and derive creative solutions. It is a vital force behind the development of a country's economy. In essence, entrepreneurship is the lifeblood of every economy in the world, as it is the concept that enables the creation of jobs, wealth creation, innovation, and a country's economic growth. It is a key source of economic growth and innovation in advanced industrialized countries, as

1 Dr. Ghimire is the lecturer of Management at Nepal Commerce Campus, T. U. Minbhawan.

2 Mr. Neupane is the lecturer of Management at Nepal Commerce Campus, T. U. Minbhawan.

well as in emerging and developing economies. It provides employment opportunities and competitiveness also. The immense significance of developing entrepreneurship is even greater if we consider the scenario of developing countries like Nepal as agriculture to business creation of more job opportunities.

Entrepreneurship has a contribution to the development of an economy. It results in new markets, new industries, new technology, new jobs, and ultimately net increases in real productivity. It is thereby providing few or no replacement of entrepreneurship for fostering and adding value in economic development. It is an important area of global research on entrepreneurship and innovation simply because it focuses on the root factors besides people's motivation of becoming entrepreneurs. Global Entrepreneurship Monitor (GEM) defines entrepreneurship as any attempt at new business or new venture creation, such as self-employment, a new business organization, or the expansion of an existing business, by an individual, a team of individuals, or an established business (Kelley, Singer, et al. 2012).

The economic development of any country cannot be initiated without the pioneering efforts of entrepreneurs. Many economists play an important role as an entrepreneur and are regarded as the key process of economic development. The rate of economic growth and the availability of dynamic entrepreneurship can have a positive impact on the economy. It is an attitude that reflects an individual's motivation and capacity to identify an opportunity and to pursue it, to produce new value or economic success. Many researchers have been done on the drivers of entrepreneurial aspirations and the transformation from entrepreneurial aspiration to new venture creation.

Bonnett and Furnham (1991) studied the evidence that aspiring entrepreneurs do have different demographic characteristics such as age, gender, and other factors such as self-efficacy, need for achievement, risk tolerance, education, etc. Entrepreneurial intention refers to one's intent to start a new business venture and to consciously plan to do so in the future. The intention is a state of mind which motivates individuals to attain some specific goal. In the case of entrepreneurship, the intention to choose entrepreneurship as a career choice is called entrepreneurial intention. Here entrepreneurial intention plays a relevant role in the decision to start a new firm. The most widely used and validated theory is the theory of planned behavior (TPB) which conceptualizes the strength of intention as an immediate antecedent of behavior. So, it is said to be an emerging phenomenon to have an understanding of the intention as an immediate antecedent of behavior.

Statement of the Problem

The major concern in this study is to understand the factor that can foster entrepreneurship and at the same time understand the factors and forces that can add value to the entrepreneurship development process. With this viewpoint, this study examines and analyzes the key factors that could influence the entrepreneurial intentions among the management students of the university. Within the context of above discussed issues, the leading question of this study includes:

- Does personal character influence the entrepreneur's intention?

Objectives of the Study

The study investigates the entrepreneurial intention of management graduate students. The specific objective of this study is:

- To examine the relationship between risk tolerance and self-efficacy in entrepreneurial intention.

Literature Review

Krueger and Carsrud (1993) studied the TPB model toward entrepreneurial behavior is determined by three antecedents. The first is the personal attitude toward the behavior. This refers to the degree to which an individual has a positive or negative assessment of an entrepreneur. The second predictor of intention is the subjective norms, or the perceived social pressure to perform the behavior. It indicates about the expectations of an individual's family, colleagues, and friends have an impact on the desirability of becoming an entrepreneur. Another antecedent of intention is perceived self-efficacy. It is referring to the perceived easiness or difficulty of one's becoming an entrepreneur. As such where there are more favorable attitudes and subjective norms concerning the behavior, it is resulting in greater the individual's self-trust and control capabilities. Ultimately such a stronger intention will be to form the behavior about initiating a business.

Krueger et al. (2000) studied the EE three factors models that determine intentions, which are perceived desirability, perceived feasibility, and the propensity to act upon opportunities. Perceived desirability refers to the attractiveness related to the task of starting up a business and becoming an entrepreneur. Perceived feasibility, on the other hand, refers to the degree to which an individual feels that he/she is capable of starting a new venture. The propensity to act refers to the individual's willingness to act on decisions.

The theoretical perspective of the EE model has empirically validated both TPB and EE models to prove that intentions are the single best predictor of any planned behavior, including becoming an entrepreneur. Raijman (2005) investigated the impact of social networking on a person's entrepreneurial intentions and found that individuals, who have a close network of other entrepreneurs such as entrepreneur relatives or friends, are more favorably inclined to have intentions of starting their entrepreneurial venture. Neergaard et al. (2005) interacted with various personal and business contacts can obtain a great deal of valuable information and useful feedback about their businesses. All this information and knowledge help entrepreneurs closely monitor and continuously improve their businesses, which gives them better chances of growth and development.

Klyver (2007) also investigated the influences of an entrepreneurial social network on the various entrepreneurial processes to identify the degree of involvement and support of family members at various phases of the business. He found that the degrees of involvement of family members differ according to the various entrepreneurial stages. The strongest factor is the involvement that comes at the first stage when the entrepreneur decides whether or not to start an entrepreneurial venture.

Taatila (2010) explained that successful entrepreneurs have fascinating and charismatic characteristics that allow them to socialize and establish strong connections with other people, which in turn enable them to establish a good network. These entrepreneurs have a high capacity for convincing others of their views and opinions. This again makes them establish a strong ally of supporters, who as well, can further help the entrepreneurs achieve their goals and succeed in their endeavors. The study shows the degree of relationship between independent variables and dependent variables.

Ben, S. (2016) stated the concept of entrepreneurial intention has two levels one is the impulsive entrepreneurial intention and two is deliberate entrepreneurial intention. With this, there are personal characteristics and cultural backgrounds, in general, having a contribution to impulsive entrepreneurial intention. Ultimately, it reflects a person's willingness or desire to start up a new business in the future. Impulsive entrepreneurial intention is the desire or willingness to start a new business without realistic control of resources necessary for specific start-up activities. Impulsive entrepreneurial intention can be influenced by personal attitudes toward entrepreneurship, culture, and demographic factors such as age or gender.

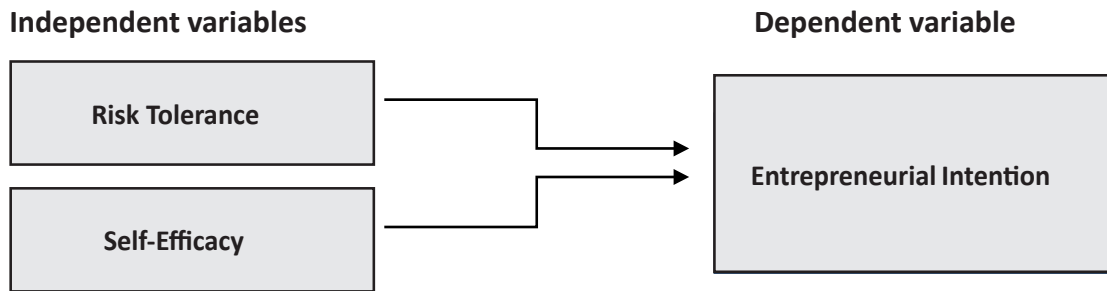


Figure 1: The Conceptual Framework

Research Methodology

The research methodology is the overall plan associated with a study. It provides a basic framework on which the study is based. This study is designed to obtain the answer to the research questions. This consists of descriptive and correlation research design has been used to deal with the various issues of the study. Based on the primary data, here self-structured questionnaires were used. The population of the study was management students of T.U. The samples were taken as per the random and convenience sampling method. Total 180 questionnaires were distributed to the respondents, but only 140 respondents are responded properly. Regarding the questionnaire, five points Likert scale was used to measure the variables through a questionnaire. In the questionnaire, each question was selected one to five scale, where, 1= strongly disagree, 2=Disagree, 3= Neutral, 4= Agree, 5=strongly agree. The statistical package for social sciences (SPSS) version 23 software has been used to analyze the secondary data.

Results and Findings

Respondents' profile

The information about the profile of the respondent's gender, age, educational qualification, employment status, and communal status was included.

Table 1 : Classification of gender

	Frequency	Valid Percent	Cumulative Percent
Male	76	54.3	54.3
Female	64	45.7	100
Total	140	100	

Sources: *Field Survey, 2019*

Table 1 presents the statistical data about the gender of the respondents. The respondent's profile states the gender 54.3 percent of respondents are male and female respondents are 45.7%. The educational qualification of the respondents is graduates and postgraduate students.

Table 2 : *Employment Status of Respondents*

	Frequency	Valid Percent	Cumulative Percent
Employed	46	32.9	32.9
Unemployed	94	67.1	100.0
Total	140	100.0	

Sources: *Field Survey, 2019*

The employment status of 32.9% of respondents is employed and the remaining respondents 67.1% are unemployed. Most of the youth respondents are studying so they are not engaged in the job.

Reliability statistics

Here, in these statistics, overall Cronbach's alpha of questionnaire items is more than acceptable and recommended value 0.50 by Nunnally (1970) and 0.60 by Moss et al., (1998). Table 3 shows that all 24 items were retained and valid to measure the opinion of factors affecting entrepreneurial intention.

Table 3 : *Summary of Reliability Statistics*

SN	Construct	Cronbach alpha	Number of items retained
1	Entrepreneurial Intention	0.707	6
2	Risk Tolerance	0.574	3
3	Self-Efficacy	0.700	10

Sources: *Field Survey, 2019*

According to the above table, all the items in each construct of this study show a stable and consistent result. But the construct Risk tolerance is acceptable after 2 items are deleted. The above Cronbach's alpha value is above 0.5 so, it is acceptable.

Entrepreneurial Intention

Entrepreneurial intention refers to one's intent to start a new business venture and to have a conscious plan to do so in the future.

Table 4 : *Descriptive Statistics of Entrepreneurial Intention*

Particular	Mean	Rank	S.D.	Risk	Rank
I am ready to make anything to be an entrepreneur	3.56	6	1.11	0.31	1
My professional goal is becoming an entrepreneur	4.16	1	0.86	0.21	4
I will make every effort to start and run my own firm	4.1	2	1.01	0.25	2
I am determined to create a firm in the future	4.03	3	0.85	0.21	4
I have seriously thought in starting a venture	4.04	4	0.83	0.21	4
I have got the firm intention to start a firm someday	3.99	5	0.96	0.24	3

The descriptive statistics of entrepreneurial intention test scale of 6 items of entrepreneurial intention is 3.98. The individual mean of 5 items of entrepreneurial intention is greater than the test scale. It describes the views of respondents as positive. Among these 5 variables, “my professional goal is becoming an entrepreneur and I will make every effort to start and run my firm” Are mostly preferable with a high mean of 4.16 and low risk (C.V.) 0.21. But “I am ready to make anything to be an entrepreneur” is low mean 3.56 and high risk (C.V.) 0.21.

Katsikis and Kyrgidou (2009) highlighted that risk and uncertainty are always associated with entrepreneurship. Entrepreneurs perceive that the profits they make are the reward for taking the risk as well as the compensation for tolerating the high levels of risk and uncertainty involved in relatively risky business ventures.

Self-Efficacy

Hamidi et al. (2008) described the self-efficacy of an individual’s self-estimate of actual capabilities and competencies that would enable or impair them from taking an entrepreneurial role or activity. Individuals, who have high beliefs in their capabilities and who have positive perceptions of self-efficacy, have stronger intentions of starting their entrepreneurial ventures.

Table 5 : *Descriptive Statistics of Self-efficacy*

	Mean	S.D	Rank
Being an entrepreneurs implies more advantages than disadvantages to me	3.94	1.115	7
I have experience of handling entrepreneurial project	3.16	1.016	9
I am an imaginative and creative person	4.04	0.939	5
I can inspire, encourage and motivate employees	4.19	0.889	3
Failure just makes me try harder	4.16	0.973	4
I can manage uncertainty at the time of need	3.84	0.651	8
I prefer to take the leading role	4.19	0.666	2
I generally interact with the people having new idea to start venture	4.36	0.723	1
I have experience of conducting enterprises	3.16	1.223	10
I have the skills and capabilities required to succeed as an entrepreneur	3.96	0.999	6

The descriptive statistics of the self-efficacy test scale of 10 items retained of self-efficacy is 3.90. The individual mean of 7 items of self-efficacy is greater than the test scale. It describes the views of respondents as positive. But 3 items are least accepted.

Correlation Coefficient

The correlation coefficient is the degree of relationship between two variables. It can only tell whether or not a strong relationship exists between two variables. Table 6 reports the correlation analysis which shows the strength and direction of the correlation between every pair of variables.

Table 6 : *Correlation Coefficient*

Factors	Entrepreneurial intention	Risk tolerance	Self-efficacy
Entrepreneurial intention	1		
Risk tolerance	0.22	1	
Self-efficacy	.534**	0.197	1

The correlation coefficient describes the relationship between the dependent and

independent variables. The correlation analysis showed that the relationship between Self-efficacy and entrepreneurial intention have significant at a 1% level. It showed that there is a significantly high correlation between self-efficacy and entrepreneurial intention. Risk tolerance and entrepreneurship have a positive correlation with 0.22 but are not significant.

Discussion and Conclusion

The study focused on certain factors namely, Gender, Age, risk tolerance, and self-efficacy on entrepreneurial intention. It further describes the factors which affect the entrepreneurial intentions of university students. Risk tolerance capacity is not found a significant relationship with the entrepreneurial intention of the university students. But, self-efficacy has a high impact on Entrepreneurial intention. The social network was a significant factor affecting the intentions of students to venture on entrepreneurial intention.

As per the objective of this study, the finding shows the relationship between risk tolerance and entrepreneurial intention. The study concludes that risk tolerance capacity does not influence the students' intentions to start a new business. It happens because of differences in investors' perception in under developing countries like Nepal. The fresh investor does not want to take the risk in a new venture. Interestingly, despite risk factors, the study also shows the relationship between self-efficacy and entrepreneurial intention. The study concludes that self-efficacy was important in determining the entrepreneurial intentions of university students.

Research results suggest that those individuals with higher entrepreneurial self-efficacy are more positive in their ability to start entrepreneurship. This finding is also consistent with Bandura, (1994) that the higher the level of people's perceived self-efficacy the wider the range of career options they seriously consider, the greater their interest in them, and the better they prepare themselves for the occupational pursuits they choose and the greater is their success. This paper indicates that self-efficacy is to take positively related to entrepreneurial intention. When people are motivated, encouraged, supported, and directed to become an entrepreneur and run their businesses, their self-efficacy becomes high, and their desire to attain goals, even under hard obstacles, increases.

This research has some limitations so it offers further research opportunities. Research is based on survey-based data via self-reported measures from the participants. Further, qualitative research can be carried out so that it can provide deeper insights into the concept.

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