

# Study on the Motivation for Undergraduates to Become Entrepreneur Empirical Evidence from Eastern University, Sri Lanka

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## Abstract

*Given the fact that the entrepreneurships are the back bone of an economy; as Sri Lanka is a developing country, the government has been suffering to generate sufficient job opportunity. This paper investigates empirically the main self and external factors that motivate the undergraduates to become entrepreneur, using data collected through questionnaires from 62 respondents who are undergraduates of Eastern University, Sri Lanka. The study mainly considers the factors Self efficacy, and perceived desirability of self-employment. It revealed that there was strong positive relationship between perceived desirability of self-employment, entrepreneurial self-efficacy and entrepreneurial motivators. These findings have to be considered when creating an atmosphere for motivating the undergraduate's self-employment intention. The government spend huge amount of money for free education; this should have value. The value of the spending is subjected to its functionality. The graduates from national universities in Sri Lanka are reluctant to start their own business as the entrepreneurial based training given during the course was not sufficient and lack of awareness for financial support to start a business. If the authorities relevant to entrepreneurship explore the possibilities and highlight the advantage of self-employment and change their attitude by means of giving more*

*emphasis in their curriculum, it would also be beneficial to them and the country as well.*

**Key words:** *Entrepreneurship, Perceived desirability, Self-efficacy, Self-employment*

## 1. INTRODUCTION

### 1.1 Background of the study

The first formal theory of entrepreneurship was developed by Richard Cantillon in 1755. He defined entrepreneurship as, self-employed persons, and bearing the risk of buying at certain prices and selling at uncertain prices (Richard 1755). However, in 1803, the definition of entrepreneurship was broadened to include the concept of bringing the factors of production together. Entrepreneurship is a significant source of wealth creation (Jean Baptiste 1803). In the work of Drucker (1970) entrepreneurship means risk taking. Entrepreneurship entails stress, anxiety as well as the ability to organize capacities which the other two factors of production (labor and capital). Further, Collins and Moore (1970) claim that entrepreneurs are decisive, independent and have a strong will to succeed.

New businesses play a vital role in a country's economy, filling in niches and creating employment. In developing economies such as

Sri Lanka, entrepreneurship is often viewed as an important component in stimulating economic growth, innovation and competitiveness. As in other developing economies, Sri Lankan entrepreneurs are faced with some very specific challenges. (NAITA 2014).

Being an entrepreneur, one who is self-employed and who starts, organizes, manages, and assumes responsibility for a business, offers a personal challenge that many individuals prefer over being an employee working for someone else; In case of Sri Lanka it is the most experienced characteristics among people especially among the graduates.

### **1.2 Statement of the Problem**

Entrepreneurship is the back bone of an economy, as Sri Lanka is a developing country the emergence of entrepreneurs is a vital thing. However most of the Sri Lankans do not focus on creating their own businesses and contributing to the economic development of mother land.

But government of Sri Lanka spends lot of money in educating people from kindergarten to university levels. Sri Lankan graduates do not develop idea to start up their own business, they used to work for established organizations specially government organizations thus the GDP is not considerably improving and the national resources well exploited by foreign companies rather than local entrepreneurs. There are more than 2500 graduates in the Northern and Eastern province, who are being unemployed and demanding for government jobs for more than four years.

As Sri Lankans facing a situation where the degree holders of Sri Lanka are protesting on the roads for government jobs it seems obviously degree holders in Sri Lanka are not interested much on starting their own business.

It is an important topic to discuss when considering economic development and growth of our country. It has been repeatedly noted in the literature that Sri Lankan universities, are far behind their course structure regarding entrepreneurial skills based education in developed and even in some developing countries (Wickramasinghe, 2010). The main contributing sectors towards GDP are service and manufacturing industry, and both these sectors recruit business management graduates at high level. However, unemployment among these graduates is still at high level.

In this scenario, many fresh graduates do possess the knowledge that are important for starting up new businesses, however, only a tiny percentage of graduates choose to be self-employed immediately after graduating. It may be due to lack of self-confidence or lack of encouragement or assurance. There may also be others who are potential entrepreneurs but not properly aware about the opportunities. As becoming the entrepreneurs can be one of the option; their intention on becoming self-employed had prompted the researchers to investigate the personal entrepreneurial characteristics and intention among them. The scarcity of employment opportunities in the formal market is the source of the high unemployment rate among graduates.

In this context, the research problem for this study is identified as there “inadequate

motivation for undergraduates to become an entrepreneur”

### 1.3 Research Questions

The study seeks to answer several questions as shown below to address the researching issues

1. What are the main personal factors that motivate undergraduates to become an entrepreneur?
2. What are the main external factors that motivate undergraduates to become an entrepreneur?
3. What is the level of impact on entrepreneurial motivation by personal factors for undergraduates to become an entrepreneur?
4. What is the level of impact on entrepreneurial motivation by external factors for undergraduates to become an entrepreneur?

### 1.4 Objectives of the Study

The study aims at achieving the following objectives.

1. To identify the main personal factors to motivate for undergraduates to become an entrepreneur
2. To identify the main external factors to motivate for undergraduates to become an entrepreneur
3. To examine how the personal factors impact on entrepreneurial motivation for undergraduates to become an entrepreneur
4. To examine how the external factors impact on entrepreneurial motivation for undergraduates to become an entrepreneur

### 1.5 Significance of the Research

Our primary goal is to better understand these undergraduate students' intention to become self-employed or work for others. This study is also important for policy implementation on future development of entrepreneurial program for undergraduates. By having aadequate understanding on factors affecting entrepreneurial intention among students, all development plans of the government will be fully utilized.

### 1.6 Scope of the Research

In an exploratory study, self-efficacy, and the desirability of self-employment to predict intentions for self-employment is examined in a sample of 62 undergraduate students.

We see the decision between careers of self-employment or working for others as a rational two part process in which;

1. Desirability of self-employment rather than the desirability of working for others.
2. Individuals assess whether they possess the requisite knowledge, skills, and abilities to perform the tasks and activities necessary to become an entrepreneur.

### 2. Literature Review

The definition of entrepreneurship has been given by many approaches due to the various characteristics of the concept Entrepreneurship. According to Schumpeter (1939) entrepreneur is that individual who can transform a new idea and innovation into reality.

In the work of Drucker (1970) entrepreneurship means risk taking. Entrepreneurship entails stress, anxiety as well as the ability to organize (Smith et al., 2003), capacities which the other two factors of production (labor and capital) have not, since the execute orders. Further,

Collins and Moore (1970) claim that entrepreneurs are Decisive, independent and have a strong will to succeed.

Shapero-Kruger framework, as described in Krueger et al. (2000) also using self-efficacy as a proxy for perceived feasibility. Economic models (Campbell, 1992; Praag and Cramer, 2001; Levesque et al., 2002), substituted perceived net desirability for perceived desirability, believing that people may be motivated to become entrepreneurs if they believe self-employment is more likely than working for others to lead to valued outcomes.

It seemed that the motivation to become an entrepreneur is driven by the difference between the desirability of self-employment and the desirability for working for others. It felt that an individuals' willingness to accept a moderate, calculated risk would be the best indicator of the propensity. It's recognized that not all people viewing themselves as efficacious, and seeing self-employment as a path to acquiring desirable outcomes, intend to become self-employed.

To act on their perceptions of feasibility and net desirability, people must be willing to bear the moderate, calculated risk intrinsic to self-employment. This is consistent with the economics based models discussed (Campbell 1992; Douglas and Sepherd, 1999, Praag and Craamer, 2001; Levesque et al., 2002) which all included risk as a predictor.

These view the decision between a career of self-employment or working for others as a rational two part process.

1. Desirability of self-employment rather than the desirability of working for others.

2. Individuals assess whether they possess the requisite knowledge, skills, and abilities to perform the tasks and activities necessary to become an entrepreneur.

People with a sense of entrepreneurial self-efficacy may be drawn to self-employment desirable opportunities and benefits, compared to the availability of these benefits obtained through working for others.

This study therefore represents, a new paradigm for process oriented entrepreneurial motivation research drawing upon well-grounded theory. It facilitates a needed convergence of frameworks on the motivational intention to become an entrepreneur. This model of entrepreneurship motivation introduces new concepts and uniquely combines them in specifying that the intention to become entrepreneur is a function of these two variables which are perceived desirability and self-efficacy

### **3. Data**

#### **3.1 Source of data**

The data used in this study is the primary data collected through questionnaires from the undergraduates of faculty of commerce and management of Eastern University, Sri Lanka. However, only a limited amount of data had been used in this study which is from 62 respondents.

#### **3.2 Variable Specification**

##### **3.2.1 Dependent variable**

The dependent variable used in this study is the entrepreneurial motivation and intention. the survey instrument defined entrepreneurship as "being self-employed in your own business".

### 3.2.2 Independent variable

The model includes three types of independent variable, expected to have impact on the entrepreneurial motivation and intention, which are, self-efficacy, and perceived desirability to become an entrepreneur.

#### 3.2.2.1 Self Efficacy

Self-efficacy is one's belief in one's ability to succeed in specific situations or accomplish a

Table 1. dimensions

Self-efficacy	I continuously develop my goals gradually
	Satisfied when achieving something
	Gain experience from role models
	Have confidence on achieving something
Desirability	I have to start own company would probably be the best way for me to take advantage of my education
	willingness to be a business icon in my society
	I personally consider entrepreneurship to be a highly desirable career alternative for people with my education
	I feel satisfied when starting my own business to support the economy
Entrepreneurial motivators	I have infrastructure facilities developing gradually in my region
	Government policies are favour of new businesses
	Positive economic factors being experienced

task (Albert Bandura 1977). In this study, self-efficacy is measured through four questions.

#### 3.2.2.2 Perceived Desirability to become an entrepreneur

Perceived desirability can be understood as the willingness explicit by the respondent to become an entrepreneur (Shapiro, A. & Skol 1982); this study measures the variable through four questions.

## 4. Methodology

### 4.1 Study Design and Method of Survey

For the purpose of this study, the quantitative research design has selected. This design also allows for the inclusion of qualitative and quantitative data in terms of frequencies, or means or standard deviations that are necessary for the descriptive studies. The information obtained from the descriptive design will be vital in formulating corrective action for the current situation such as the design and ultimate development of research.

This methodology will be used in the study since it can yield a substantial volume of descriptive data on the variables and so enhance the holism of the outcome of the research.

The data can and will be converted into numerical indices and statistical analysis techniques will be employed to generalize findings from a sample of respondents. The research instrument to be used in this methodology is a questionnaire, which is an original instrument was developed from the literature review.

### 4.2 Population and Sampling



In case of this research simple random sampling method is used, the sample of 62 respondents was selected from undergraduates of faculty of commerce and management, Eastern University, Sri Lanka. The sample included 16 first year students, 10 second year undergraduates, 18 third year undergraduates and 18 final year students.

### 4.3 Method of Measurement

The qualitative data of entrepreneurial motivation is measure in quantitative term with the help of Likert scale. Every question is determined the motivational factor of the respondents. If they feel that their intention is related to the question they can rate their response as given below

Table 2. Method of Measurement

Score	Entrepreneur Competence
1	Strongly disagree
2	Disagree
3	Neutral
4	Agree
5	Strongly agree

Entrepreneurial motivation factors will be rated as follows Entrepreneurial self-efficacy, and Perceived desirability to become entrepreneur.

### Decision Criteria

Table 3 Decision Criteria

$1 \leq \text{mean} \leq 2.5$	Low level
$2.5 < \text{mean} \leq 3.5$	Moderate level
$3.5 < \text{mean} \leq 5$	High level

### 4.4 Method of Data Analysis and Evaluation

Questionnaire consists of 11 statements, which express favorable or unfavorable questions relevant to the given object. For this study

descriptive statistics has been adopted using the SPSS 22<sup>nd</sup> version. The sample will be analyzed by the central theorem analysis of mean, standard deviation. At the same time data will be presented based on the values indicated in the questionnaire. A mean value for each question is calculated. The mean value of each respondent for a variable is compared with the decision criteria.

## 5. Data Presentation

### 5.1 Analysis of Reliability of Instruments

The inter item consistency and reliability was examined with Cronbach's Alpha test. The results of Cronbach's alpha test is given in the following table which suggest that the internal reliability of each instrument is satisfactory.

Table 4. Reliability of Instruments

Item	Cronbach's alpha
Self-Efficacy	.731
Perceived desirability	.780
Entrepreneurial motivators	.769

Source: Survey data

### 5.2 Data Presentation

#### 5.2.1 Data presentation for demographic factors

Table 5.1 GENDER

	Frequency	Percent
Male	28	45.2
Female	34	54.8
Total	62	100.0

Source: Survey data

The questionnaire was distributed among both male and female graduates, the above table and chart shows the gender distributions, which consist of 28 males which is 45.2% and 34 females which is 54.8% of the sample size 62 respondents.

**Table 5.2 YEAR OF STUDY**

	Frequency	Percent
first year	16	25.8
second year	10	16.1
third year	18	29.0
final year	18	29.0
Total	62	100.0

Source: Survey data

The sample consist of 16 first year student, 10 second year students, 18 third year students, and

18 final year students, which are 25.8%, 16.1%, 29% and 29% respectively.

### FAMILY BUSINESS BACKGROUND

**Table 5.3 Family Business Background**

	Frequency	Percent
yes	21	33.9
no	41	66.1
Total	62	100.0

Source: Survey data

In the 62 respondents, there are 21 respondents who having entrepreneurial background and 41 respondents doesn't have entrepreneurial background which is 33.9% and 66.1% respectively

### 5.2 Data analysis

#### 5.2.1 Level of Self Efficacy

**Table 5.4 Level of Self Efficacy**

	N	Minimum	Maximum	Mean	Std. Deviation
Self_efficacy	62	3.75	5.00	4.3548	.40374
Valid N (listwise)	62				

Source: Survey data

The average value of the Self efficacy indicates that the self-efficacy is at a high level to become an entrepreneur, addition to that most of the respondents have merely somewhat

different opinion regarding the self-efficacy (standard deviation is .40374). We can say that self-efficacy at high level to become an entrepreneur.

#### 5.2.2 Level of Perceived Desirability

**Table 5.5 Level of Perceived Desirability**

	N	Minimum	Maximum	Mean	Std. Deviation
Perceived_desirability	6	3.25	5.00	4.30	.52288
Valid N (listwise)	6			65	

Source: Survey data

The average value of the Perceived Desirability indicates that the Perceived Desirability is at a high level to become an entrepreneur, addition to that most of the respondents have merely somewhat different opinion regarding the

Perceived Desirability ( standard deviation is .52288). We can say that Perceived Desirability at high level to become an entrepreneur.

### 5.2.3 Level of Motivational Factors to Become Entrepreneur

Table 5.6 Level of Motivational Factors to Become Entrepreneur

	N	Minimum	Maximum	Mean	Std. Deviation
Entrepreneurial motivation	62	3.33	5.00	4.2043	.48042
Valid N (listwise)	62				

Source: Survey data

The average value (mean value 4.2043) of the motivational factors to become an entrepreneur indicates that the motivational factor to become an entrepreneur is at high level among the undergraduates. In addition to this most of the

respondents have merely somewhat different opinion regarding the motivational factors to become an entrepreneur (standard deviation .48042)

### 5.2.4 Multiple Regression Analysis

Table 5.7 Multiple Regression Analysis

Model	R	R Square	Adjusted R Square
1	.752 <sup>a</sup>	.565	.550

Source: Survey data

The above table shows the impact of independent variable and dependent variable. According to that R square is .565, around 56.5% of change in dependent variable Entrepreneurial Motivation and intention is

explained by independent variables Self Efficacy and Perceived Desirability, and the remaining 43.5% of variation explained by other factors which are not considered by this study.

Table 5.8 Coefficients<sup>a</sup>

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		



(Constant)	.378	.502		.753	.454
Self_efficacy	.288	.106	.242	2.717	.009
Perceived_desirability	.597	.082	.650	7.295	.000

a. Dependent Variable: Entrepreneurial\_motivation Source: Survey data

Based on the above coefficient table, Desirability to become self-employed and Self-efficacy shows positive and significant impact on the dependent variable. As those variables have significant value .000 and .009, those variables considered to be significant. Self-efficacy have coefficient value .288, which means 28.8% change is expected in entrepreneurial motivation when it change by 1 unit. Likewise perceived desirability have coefficient value .597, which demonstrates 59.7% change is expected in entrepreneurial motivation by 1 unit of change in perceived desirability.

The regression formula can be developed as follows

$$EM = .378 + .288SE + .597PD$$

EM- Entrepreneurial motivation

SE- Self-efficacy

PD- Perceived desirability

## 6. Discussion

The decision between a career of self-employment or working for others may be viewed as a rational process in which individuals compare the relative desirability of each option. If an individual believes self-employment is more likely than working for others to lead to valued outcomes, then he/she is more likely to be drawn to self-employment.

Regression analysis was done to assess the ability of the model to explain self-employment intentions, the dependent variable. As we test

the model using regression, the appropriate comparative diagnostic is the adjusted  $R^2$ .

According to the multiple regression analysis, desirability to become an entrepreneur has positive impact on entrepreneurial motivation and intention at 1% level significance. By using the multiple regression model found that entrepreneurial motivation and intention has significant impact to the entrepreneurial desirability to become an entrepreneur. This is consistent with the result of current study.

Our primary goal was to better understand these students' decisions to become self-employed or work for others. This study was not a simulation using students to predict the behavior of managers or other non-students of population. Rather, this was a study of people actually beginning to face career decision.

It was found that there is a positive significant motivation for undergraduates to become an entrepreneur.

## 7. Conclusion

Descriptive statistics, correlation and regression were formulated in order to come up with findings related to the above research problem. The study was conducted with 30 graduate students. Frequency analysis was used to understand the sample profile and descriptive statistics were used to investigate the extent of personal characteristic of respondents.

The results of the study showed that the motivational factor and motivational intention are higher level among the undergraduate. The result of the regression that there is a positive impact between entrepreneurial self-efficacy, and perceived desirability to become self-employment, impact on the motivation to become an entrepreneur.

This research proposed a new model of entrepreneurship motivation. Introduced was the construct net desirability for self-employment, which was operationalized as the difference between the desirability of self-employment, compared to the desirability of working with others.

This research study furthers our understanding of what motives someone to become an entrepreneur by expressing on the process models of motivation that have been offered by Ajeen (1991), Shaper(1982) and others that have explored entrepreneurial intentions. The results have important implications for those who have the opportunity to guide and influence career choice and provide career preparation.

## 8. Recommendations

Based on this research study we can conclude that, self-efficacy, and perceived desirability significantly predict self-employment intentions. We suggest educators, policy makers, and other wishing to enhance entrepreneurial activity focus first on increasing entrepreneurial self-efficacy.

As the discussion suggests, many educational practices may be modified to increase entrepreneurial self-efficacy, highlight the advantages of self-employment. Further research is planned to recommend specific pedagogical methods and interventions, based

on our model, that entrepreneurship educators may use to stimulate entrepreneurial intentions.

## 9. Limitations

The research study only included undergraduates from Faculty of Commerce and Management

The research study only included 62 samples. The measuring scale only having five levels, if it included 7 level likertscale; it would be better.

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