Determinants of Entrepreneurial Intention among Undergraduate Students in Malaysia

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Abstract

This paper aims to identify the determinants of entrepreneurial intention among undergraduate students. Since most literature agreed that entrepreneurial intention can be determined by using Theory of Planned Behavior (TPB), this theory is used as a theoretical framework in this study. The independent variables of this study consist of perceived educational support, perceived relational support, perceived structural support, personal attitude, and perceived behavioral control. This theoretical framework is verified on 351 undergraduate students in one of the Public University in Malaysia. The results found that personal attitude, perceived behavioural control, and perceived relational support are the predictors to entrepreneurial intention.

1. Introduction

Recently, entrepreneurship has been given serious devotion due to its importance on economic growth, job creation, sources of innovation and productivity (Urbano and Aparicio, 2015). Thus, developing countries like Malaysia encourage students to be involved in entrepreneurship and consider entrepreneurship as a career choice. It is widely known that in the future, undergraduates are the important source of nascent entrepreneurship. Part of the government effort to instill entrepreneurial spirit among university students is to make entrepreneurship subject compulsory to all students regardless of their field of study. Entrepreneurship is important to economic

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advancement, employment as well as a solution to the excessive number of university graduates and social problems. Therefore, it is important to know the factors that influence students’ intentions to launch a new start-up or entrepreneurship effort. There are still limited researches on this issue even though entrepreneurship has been viewed as essential to economic development and growth (Fayolle and Linan, 2013; Karimi et al., 2014). In relation to this, there is a call to conduct a research to understand the determinants of students to involve in entrepreneurship and also to contribute to the development of understanding in this area. This study can help governmental institutions, agencies, academic, entrepreneurial educators, consultants and advisors to find the appropriate solutions to foster entrepreneurship in universities and consequently in the society.

2.0 Literature Review and Hypotheses

2.1 Perceived educational support and entrepreneurial intention

Perceived educational support has been recognized as a determinant of entrepreneurial intention. Previous researchers agree that entrepreneurial educational is an efficient method to equip the students with necessary knowledge about entrepreneurship (Mumtaz et al., 2012; Türker and Selçuk, 2009). Entrepreneurship education also influences students’ career choice (Peterman and Kennedy, 2003). In order to survive in today’s intensified business world, the university is required to play a key role in promoting entrepreneurship. A study conducted among university students in Turkey found that university education has a positive impact on entrepreneurial intention (Türker and Selçuk, 2009). Türker and Selçuk (2009) argue that entrepreneurship education is resourceful for acquiring knowledge on entrepreneurship. This is consistent with the cross-cultural study conducted by Moriano et al. (2012). Similar study has been conducted in Malaysia found that appropriate entrepreneurship education exposure will influence the students to be an entrepreneur (Mumtaz et al., 2012). University education plays strong role in promoting entrepreneurship as a career choice by providing necessary exposure through theoretical and practical knowledge about entrepreneurship. Thus, it can be hypothesized that:

Hypothesis 1: Perceived educational support has a positive impact on entrepreneurial intention.

2.2 Perceived relational support and entrepreneurial intention

Relational support refers to the approval and support from the family, friends, and others to involve in entrepreneurial activities (Türker and Selçuk, 2009). Family and friends are the person that have a great influence on individual career choice because they are considered as fund providers and role models. It is found in the literature that the role of friends and role models is prominent in influencing the decisions to become an entrepreneur (Nanda and Sorensen, 2009). The importance of the role models on the inclination towards entrepreneurship is widely discussed in the literature (e.g. Karimi et al. 2013; Kirkwood 2007). This is due to the fact that the role models often provide the necessary information, guidance, set a good example, and support (Postigo et al. 2006). By having a good example and support, the students are more prone and confident to become an entrepreneur. This will also motivate and inspire the individual to become a successful entrepreneur. The study conducted among young Australians concluded that friends significantly influence their decision to start a business (Nanda and Sorensen, 2009; Sergeant and Crawford, 2001). It is also found that, the support from family, friends and close network among 425 Turkish university students were positively influenced their decision to become an entrepreneur (Yurtkoru et al., 2014). Similarly, Altinay et al. (2012) in a study of university hospitality students in the UK found that, family entrepreneurial background positively related to entrepreneurial intention. Supporting these, Zapkau et al. (2015) also found that the parental role models positively influence entrepreneurial intention. Based on these findings, it can be hypothesized that:

Hypothesis 2: Perceived relational support has a positive impact on entrepreneurial intention.
2.3 Perceived structural support and entrepreneurial intention

Structural support in this study refers to the perceived entrepreneurial assistance from the Malaysian economy, public and private and non-governmental agencies. These include financial aids, rules and regulations imposed to the entrepreneurs, and business opportunities (Türker and Selçuk, 2009). The Malaysian government has been very supportive to the development of entrepreneurship by providing support in terms of technical and advisory assistance, marketing, funding schemes, tax incentives and others. There are more than 70 various ministries and agencies that were formed to assist Small and Medium Enterprises (SMEs), such as SME Corporation Malaysia (SME Corp), Federal Agriculture Marketing Authority (FAMA), Majlis Amanah Rakyat (MARA), Perbadanan Usahawan Nasional Berhad (PUNB), Malaysian External Trade Development Corporation (MATRADE), SME Bank, Ministry of International Trade and Industry (MITI) and many more. These ministries and agencies provide financial assistance, facilities (e.g. shop lot, business locations), advisory, training, technical and marketing assistance. With this kind of assistance, it will be easier for entrepreneurs to start a new venture. Türker and Selçuk (2009)’s study found that the public, private and non-governmental agencies encourage people to engage in entrepreneurial activities. In addition, the study among college students in Ghana found positive correlation between initiatives, incentives and other supports from government and non-government agencies and entrepreneurial intention (Denanyoh et al., 2015). Thus, it can be hypothesized that:

Hypothesis 3: Perceived structural support has a positive impact on entrepreneurial intention.

2.4 Personal attitude and entrepreneurial intention

The concept of attitudes is central to understand how experience gives rise to predisposition of attitudes (Petty et al., 1997). Krueger et al. (2000) donated that attitude describe as an enduring system of positive or negative evaluations of an object. It represents the person’s way of evaluating and comparing an object against the available options with the basis of on an individual’s thought (cognition), belief (values) and emotions (affection) towards the object (Hoyer and Maclnis, 2004). Maes et al. (2014) suggested that personal attitudes and perceived behavioral are working indirectly with social norms in setting the person’s intention in involving the entrepreneurship. In the same vein, Mumtaz et al. (2012), found that the undergraduate students’ attitude have a positive impact on intention to choose entrepreneur as a career. In sum, a favorable attitude of the students may more likely strengthen an individual’s intention to participate in entrepreneurship. Thus, it leads to the following hypothesis:

Hypothesis 4: Personal attitude has a positive impact on entrepreneurial intention.

2.5 Perceived behavioral control and entrepreneurial intention

Perceived behavioral control is a tenet of the person’s perceived personal ease or difficulty to perform entrepreneurial behavior (Maes et al., 2014). The indicator of perceived behavioral control needs to be differentiated between internal and control beliefs where this carries a contrasting sense in impacting the person’s intention. As explained by Maes et al. (2014), internal control beliefs are linked to the personal capabilities of a person’s, for example having the self-confidence to venture into entrepreneurship while external control is related to situational control. The study conducted by Mumtaz et al., (2012) also found that behavioral control (creativity and risk taking) had a positive relationship with entrepreneurial intention. External control may be seen as situational characteristics as the indicators to react in such way, for example, having a person’s perception of having financial support as an important requirement to set up a business. The study done by Soutaris et al. (2007) regarding student intention in entrepreneurship showed that students in generally ‘elite university’ are most likely to have high self-confidence, which represents the perceived behavioral control. Thus, it can be hypothesized that:

Hypothesis 5: Perceived behavioral control has a positive impact on entrepreneurial intention.
3.0 Theoretical Framework

The purpose of this study’s is to identify the determinant of students’ intention to be an entrepreneur. The theoretical framework in this study depicted in Figure 1.

![Theoretical Framework Diagram]

Fig. 1: Theoretical Framework

4.0 Methodology

4.1 Measurement

The primary data for independent and dependent variables were collected through online and face-to-face survey done using a structured questionnaire. The questionnaires were addressed to 500 undergraduate students who have taken entrepreneurship subject in the previous semester. Only 351 students responded, resulting in 70.2% response rate. The independent and dependent variables instrumentation, which are perceived educational support, perceived relational support, perceived structural support, perceived behavioral control, personal attitude, and entrepreneurial intention, were adapted from Linan and Chen (2009), and Turker and Selcuk (2009). All responses were measured using five-point scale items, ranging from “1=strongly disagree” to “5=strongly agree”.

4.2 Sample characteristics and data collection method

The participants in this study were undergraduate students. The criterion for the participants is that they must have completed entrepreneurship course. The reasons for this are: i) to ensure that they understand the theories in entrepreneurship, ii) they have learned about launching a new business, and iii) they are aware about the business regulations and support systems in Malaysia. Majority of the respondents were female, 71.5% or 251 students. More than half of the respondents were aged between 21-22 (51.6%) years, which totals to 181 students. Almost half of the respondents were studying business and management, 47.9% or 168 students. In terms of ethnicity, a majority of the respondents were Kadazan Dusun, 35.3% or 124 students.

5.0 Data Analysis and Results

The data were analysed using Partial Least Squares (PLS) approach to Structural Equation Modelling (SEM). The analysis and interpretation of a PLS model is a two-staged process. First is the assessment of the reliability and validity to the measurement model and the second is the assessment of the structural model to test the hypotheses under study. These assessments are presented in the next subsections.

5.1 Assessment of the measurement model

The first step in PLS analysis was to analyse the measurement model (or outer model) to determine how well the indicators (items in the constructs) load on the theoretically defined constructs. It was ensured that the survey
instrument is reliable and valid to measure the construct that were designed to measure. Thus, the internal consistency, indicator reliability, convergent validity and discriminant validity were performed to assess the measurement model. In this study, the internal consistency or composite reliability of the each construct ranges from 0.885 to 0.958 and this is above the recommended threshold value of 0.70. Thus, the results point out that the items used to represent construct have satisfactory internal consistency reliability. For indicator reliability, one item is eliminated for entrepreneurial intention due to less than 0.70 loadings. In order to test the convergent validity, the average variance extracted (AVE) is used. The result of the analysis shows that all constructs have AVE ranging from 0.659 to 0.856, which demonstrates an adequate convergent validity. Discriminant validity is a complement of convergent validity. It indicates the degree to which one construct differs from the others. It can be assessed by using two measures; i) cross loading and; ii) Fornell Larcker’s (1981) criterion. In this study, the measurement model’s discriminant validity is satisfied and the result confirmed that Fornell and Larker’s criterion is met.

5.2 Assessment of structural model

Table 1 presents the results of the hypotheses in this study. The $R^2$ value was 0.793, suggesting that 79.3% of the variance in the entrepreneurial intention can be explained by the personal attitude, perceived behavioural control, perceived educational support, perceived relational support and perceived structural support. The personal attitude (Hypothesis 4), perceived behavioural control (Hypothesis 5) and perceived relational support (Hypothesis 2) were positively related to entrepreneurial intention. In other hand, perceived educational support (Hypothesis 1) and perceived structural support (Hypothesis 3) have an insignificant relationship on students’ entrepreneurial intention. It can be seen in Table 1 that personal attitude ($β = 0.667, p < 0.01$) is the most significant predictor of entrepreneurial intention among students, followed by perceived behavioural control ($β = 0.260, p < 0.01$) and perceived relational support ($β = 0.092, p < 0.01$). In this study, the $Q^2$ of entrepreneurial intention was 0.667, which indicates that the research model has good predictive relevance.

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Relationship</th>
<th>Path Coefficient</th>
<th>t Value</th>
<th>Supported</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1</td>
<td>Perceived Educational Support $\rightarrow$ Entrepreneurial Intention</td>
<td>0.001</td>
<td>0.024</td>
<td>No</td>
</tr>
<tr>
<td>H2</td>
<td>Perceived Relational Support $\rightarrow$ Entrepreneurial Intention</td>
<td>0.092</td>
<td>2.129***</td>
<td>Yes</td>
</tr>
<tr>
<td>H3</td>
<td>Perceived Structural Support $\rightarrow$ Entrepreneurial Intention</td>
<td>-0.050</td>
<td>1.185</td>
<td>No</td>
</tr>
<tr>
<td>H4</td>
<td>Personal Attitude $\rightarrow$ Entrepreneurial Intention</td>
<td>0.667</td>
<td>17.094***</td>
<td>Yes</td>
</tr>
<tr>
<td>H5</td>
<td>Perceived Behavioural Control $\rightarrow$ Entrepreneurial Intention</td>
<td>0.260</td>
<td>6.420***</td>
<td>Yes</td>
</tr>
</tbody>
</table>

$R^2$ = 0.793

* $p < .10$; ** $p < .05$; *** $p < .01$

6.0 Discussion and Conclusion

The aim of this study is to investigate the predictors of entrepreneurial intention among undergraduate students. According to the Theory of Planned Behavior, human intentions or behaviors are influenced by their attitude and belief. This theory is widely used to predict and explain a wide range of people’s behaviors and intentions. Since entrepreneurship is a source of economic growth, innovation and employment, it is important to know the factors that influence students’ intention to become an entrepreneur. This study found that, out of five hypotheses formulated, only three have significant impact on entrepreneurial intention. First, personal attitude (Hypothesis 4) has a significant effect on students’ intention to become an entrepreneur. Thus, it is suggested that the greater the students’ attitude towards the entrepreneurship, the greater the entrepreneurial intention is. Personal attitude in this study refers to the perception of the students on the advantages, satisfaction and attractiveness of entrepreneurship. This study has similar finding to the study conducted in Malaysia by Mumtaz et al. (2012). Secondly, perceived behavioral control was found to have a significant impact on entrepreneurial intention among undergraduate students. Hence, if the students perceived that it is easier to become an entrepreneur, it will motivate them to become
an entrepreneur. This finding is similar to that of Souitaris et al. (2007). Thirdly, perceived relational support is found to have a significant impact on entrepreneurial intention. In other words, the greater the supports from parents, family, friends, and people surrounding them, the greater the entrepreneurial their intention is. It is found in the literature that, the role of friends and roles models is prominent in influencing the decisions to become an entrepreneur (Altinay et al., 2012; Nanda and Sorensen, 2006; Yurtkoru et al., 2015; Zapkau et al., 2015).

The key contribution of this research is the empirical evidence of the factors affecting students’ intention to become an entrepreneur. This is due to the fact that, in the future, undergraduates are the important source of nascent entrepreneurship. The implication of this study to policy makers and educators is, apart from offering entrepreneurship courses; the universities should consider other factors to motivate the students to become an entrepreneur. For example, in this study, personal attitude is the greatest influence of the students’ intention to become an entrepreneur. Thus, it is important to find a strategy on how to convince the students on the advantages of being an entrepreneur. In this sense, it may require additional syllabus or programs for entrepreneurship study. The limitation of this research is its sample size, which only consists of one university in Malaysia. The finding may not represent the whole population of undergraduate students in Malaysia. Further research may consider including other public and private universities.

References

Yurtkoru, S. Kuşçu, Z.K., & Doğanay, A. 2014. Exploring the Antecedents of Entrepreneurial Intention on Turkish University Students, Procedia - Social and Behavioral Sciences, 150: 841-850