

**Barriers to Entrepreneurial Intention of Polytechnic College students:
(Specific evidences from Assosa, Benishangul Gumuz region, Ethiopia)**

Tizazu Kassa

Lecturer, Department of Management, Faculty of Business and Economics
Assosa University, Assosa , Benishangul Gumuz Region , Ethiopia.

ABSTRACT

Entrepreneurship is a vital force behind the development of each country's economy. This study was examined the barriers to entrepreneurial intention in the case of Assosa polytechnic college students in Benishangul Gumuz Region. The target population of this study was the final year students of Assosa Polytechnic College. Simple random sampling method was used to select the sample. The data was collected from final year students through questionnaires. The collected data were analyzed by using descriptive, independent t-test, correlation and multiple regression analysis. The result of this study indicates that the major barriers of entrepreneurial intention are: poor perception of access to finance and fear to failure. In addition, the finding of the descriptive analysis indicates that most of the students have an intention to follow entrepreneurship after graduation. Moreover, the independent t-test result shows that gender, entrepreneurship education and business family background were considered to be an important factor to entrepreneurial intention of students. Furthermore, the findings of the independent t-test revealed that students from business family background have higher entrepreneurial intention than non business family background. The correlation result indicates that business support service have positive and significant relationship with entrepreneurial intention of students. However, perceived fear to failure and perceived access to finance have negative and insignificant relationship with entrepreneurial intention of students. Furthermore, the regression result shows that the entrepreneurial factors (gender, family business background, business support service and entrepreneurship education) significantly explain 78.4% of the variations in entrepreneurial intention of students at Assosa polytechnic college. Based on the results of the study, the researcher forwards recommendations to Assosa polytechnic college management and suggestions for other researchers.

Keywords: Entrepreneurship, entrepreneur, entrepreneurial barriers, entrepreneurial intention.

CHAPTER ONE: INTRODUCTION

1.1. BACKGROUND OF THE STUDY

Entrepreneurship is increasingly recognized as an important driver of economic growth, productivity, innovation and employment, and it is widely accepted as a key aspect of economic dynamism. Entrepreneurial intention plays a crucial role in the decision to start a new firm (become an entrepreneur). Now a day the government of Ethiopia gives due emphasis to employment creation by formulating different policies and strategies. One of these strategies is to promote entrepreneurship. To eliminate poverty from Ethiopia, self employment is a possible solution of unemployment among youth. The public and private sector employment are considered as "Good jobs" while self employment is considered as "Bad jobs" (Serneels ,2007). To realize entrepreneurship as viable employment option for college students, the intention of those students who are too dependent on government and private sectors for employment should be changed. An individual who has high entrepreneurial intention will become an entrepreneur in due time.

1.2. STATEMENT OF THE PROBLEM

Entrepreneurship has becoming crucial to every country ever since the age of globalization because the growth of entrepreneurial activities will help in creating jobs for the society, reducing the unemployment rate (Abdullah 2010). The interest of college graduates in entrepreneurship has traditionally been low. Large number of students prefers the guaranteed income of formal employment as opposed to the risks associated with entrepreneurship. Due to lack of self-confidence, lack of encouragement, failure to risk, lack of interest and lack of finance. Currently, huge number of undergraduate students graduating from higher education institutions in Ethiopia is increasing from time to time. In due time, educated human resource supply would be in excess of demand of the public and private organizations. Undoubtedly, this would result in unemployment problem among students unless they seriously consider self employment as their career option. Therefore, entrepreneurship is the promising career option for students.

Many studies have been conducted on entrepreneurial intentions on higher education institution students. However, they have focused mainly on developed countries. A study by Basu and Virick (2008) exploring and evaluating entrepreneurial intentions and their antecedents among students at San Jose State University. Boissin et al., (2009) did research on students and entrepreneurship: A comparative study of France and USA. In contrary, few studies have been conducted in developing countries. Barbosa and Moraes (2004) argue that studies carried out in developing countries are also very important and may reach different conclusions from those carried out in developed countries. This is because there are environmental differences between developed and developing countries. Therefore, this study was examined barriers to entrepreneurial intention in the case of Assosa polytechnic college students in Benshangul Gumuz Region. To this effect, the study addressed the following research questions: What is the level of entrepreneurial intention of students? Which factor is more critically influence the entrepreneurial intention of students? To investigate the constraints/barriers that hinder students from starting and running their own businesses.

1.3. OBJECTIVE OF THE STUDY

1.3.1. GENERAL OBJECTIVE

The main objective of the study was to examine barriers to entrepreneurial intention in the case of Assosa polytechnic college students in Benshangul Gumuz Region.

1.3.2. SPECIFIC OBJECTIVES

- ❖ Examine the relationship between entrepreneurial factors and entrepreneurial intention of Assosa polytechnic students.
- ❖ To identify which factor is more critically influence the entrepreneurial intention of students?
- ❖ To investigate the level of entrepreneurial intention of students.
- ❖ Assess how the environmental, demographic and personal variables explain entrepreneurial intention of Assosa polytechnic college students.
- ❖ To identify the constraints that hinder students from starting and running their own businesses.

1.4. HYPOTHESES OF THE STUDY

H1: There is a significant difference exist in entrepreneurial intention between students of family business background and non business family background.

H2: There is significant difference exist in entrepreneurial intention between students those who had taught Entrepreneurship education and those who had not taught entrepreneurship education.

H3: There is a significant difference exist in entrepreneurial intention between male and female students.

H4: There is significant positive relationship exist between business support service and entrepreneurial intention of students.

H5: There is significant positive relationship exist between perceived access to finance and entrepreneurial intention of students.

H6: There is significant positive relationship exist between perceived fear to failure and entrepreneurial intention of students.

H7: The environmental, demographic and personal variable of perceived access to finance, entrepreneurship education, business support service, gender, business family background, and perceived fear to failure will significantly explain the variation in entrepreneurial intention of Assosa polytechnic college students.

1.5. SIGNIFICANCE OF THE STUDY

This study is important for policy implementation on future development of entrepreneurial program for Assosa polytechnic college students. By having a good understanding on barriers to entrepreneurial intention among students, all the plans that provided by government to them will be fully utilized. In addition this research will provide insights to the state of entrepreneurship education for policy makers in Ethiopia to motivate entrepreneurial intention, in turn, increasing new business venturing rate.

CHAPTER TWO: LITERATURE REVIEW

2.1. MEANING AND CONCEPTS OF ENTREPRENEURSHIP

Timmons (1989) defined entrepreneurship is the process of creating and building something of value from practically nothing. According to Ponstard (1998) Entrepreneurship is the dynamic process of creating incremental wealth. This wealth is created by individuals who assume the major risks in terms of equity, time and/or career commitments of providing values for some product or service. Zahra (1999) argued that Entrepreneurship has long been considered a significant factor for socioeconomic growth and development because it provides millions of job opportunities offers variety of consumer goods and services and generally increases national prosperity and competitiveness.

2.2. ENTREPRENEURIAL FACTORS

Access to Finance: financial constraints have a negative impact on the decision to become an entrepreneur, and lack of financial support is an obstacle to start a new business which has direct effect on the fact of being self-employed. Business Support service: the more business assistance a young entrepreneur obtains in the start-up and new business phases the better his or her chance of creating a successful and sustainable business. Gender Studies show that male have more entrepreneurial intentions and have more interest to start businesses than their female counterparts (Phan, Wong & Wang 2002). Family business background: Chang et al. (2009) suggests that family business background provides people with family capital (human and financial) that gives them a comparative advantage in starting a new venture. Fear to failure: risk has been found to be one of the most significant factors affecting self-employment decision of individuals (Verheul et al., 2006).

2.3. ENTREPRENEURIAL INTENTION

Entrepreneurial intention is concerned with the objective of examining whether a certain group in the society be it youths or university students or any group under study that has an intention to start and operate their own business.

CHAPTER THREE: RESEARCH DESIGN AND METHODOLOGY

3.1. RESEARCH DESIGN

Explanatory and descriptive research design using quantitative method was used to analyze for data collected from respondents. The study is cross-sectional in the sense that relevant data was collected at one point in time.

3.2. TARGET POPULATION AND SAMPLE SIZE

The target population of the study was final year students of Assosa polytechnic college. The total number of final year students was 456. The following sample size determination formula was used to determine the sample size of the population in the college. The formula was developed by Taro Yamane (1973). It is calculated as follows: $n = \frac{N}{1+N e^2}$

The researcher used simple random sampling method to select the target students. From the total number of population (456) the number of samples taken was 206.

3.3. DATA SOURCE AND COLLECTION METHOD

The study was employed primary data and secondary data sources. Primary data was gathered through questionnaires. Questionnaires were distributed to final year students of Assosa polytechnic college. The variables were attitudinal and measured using Likert scale with five response categories (strongly disagree, disagree, neutral, agree and strongly agree).

3.4. METHOD OF DATA ANALYSIS

SPSS software version 20 was employed to analyze and present the data through the statistical tools used for this study, namely descriptive analysis, independent-t test, correlation and multiple regression analysis.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

During the survey a total of 213 questionnaires were distributed to respondents. But, only 206 responses were collected with a response rate of 97%. So the analysis was made based on 206 responded questionnaires.

4.1. DESCRIPTIVE ANALYSIS

4.1.1 Mean score of entrepreneurial intention of the respondents

Table 4.1.1: Mean score of entrepreneurial intention of the respondents

| Questions | Frequency | Mean | Std. deviation |
|--------------|-----------|-------------|----------------|
| Q1EI | 206 | 4.34 | 1.38 |
| Q2EI | 206 | 4.29 | 1.41 |
| Q3EI | 206 | 3.83 | 1.34 |
| Q4EI | 206 | 3.98 | 1.27 |
| Q5EI | 206 | 4.24 | 1.43 |
| Q6EI | 206 | 3.76 | 1.45 |
| Total | | 4.07 | 1.38 |

Source: Own survey, 2015

As indicated in the above table 4.1.1 the mean score of entrepreneurial intention among respondent is (4.07). The mean score is above midpoint of likert scale which is between agree (4) and strongly agree(5).This indicates that most of the respondents have an intention to follow entrepreneurship in the future. Therefore it can be concludes that the level of entrepreneurial intention of student's is high.

4.2. TESTING DIFFERENCE BETWEEN GROUPS

H1: There is a significant difference exist in entrepreneurial intention between students of business family background and non business family background.

Table 4.2.1: Independent t-test depends on family background of the students

| Family background | N | Mean | Std. Deviation | t | Sign(2 tailed) |
|--------------------------------|-----|------|----------------|------|----------------|
| Business family background | 123 | 2.96 | 1.02 | 6.18 | 0.000 |
| Non Business family background | 83 | 2.04 | 1.14 | | |

Source: Survey result, 2015

(P<0.05) level of significance

As indicated in table (4.2.1) the t- value is (6.18) and p- value is (0.00) is found to be significant at the ($p<0.05$) level of significance. So, hypothesis1 is accepted. Thus, there is found a significant difference in entrepreneurial intention among students from business family background and non business family background. And also the mean score value also shows students comes from business family background have high intention while non business family back ground students have low entrepreneurial intention.

H2: There is significant difference exist in entrepreneurial intention between students those who had taught entrepreneurship education and those who had not taught entrepreneurship education.

Table 4.2.2: Independent t-test depend on entrepreneurship education of the students

| Entrepreneurship education | N | Mean | Std.Dev | t | Sign(2-tailed) |
|----------------------------|-----|------|---------|------|----------------|
| Yes | 125 | 3.87 | 1.27 | 5.49 | 0.000 |
| No | 81 | 1.13 | 1.35 | | |

Source: Survey result, 2015

(P<0.05) level of significance

As shown in table (4.2.2) the t- value is (5.49) and p- value is (0.000) is found to be significant at the ($p<0.05$) level of significance. So, hypothesis2 accepted. Hence, there is significant difference in entrepreneurial intention existed among students who had taken entrepreneurship course and who had not taken entrepreneurship course. Consequently, it was expect that there is difference in potentiality of entrepreneurship between students depend on entrepreneurship education they had taken.

H3: There is a significant difference exist in entrepreneurial intention between male and female students.

Table 4.2.3: Independent t-test depend on gender of the students

| Gender | N | Mean | Std.Dev | t | Sign(2-tailed) |
|--------|-----|------|---------|------|----------------|
| Male | 109 | 2.74 | 1.13 | 4.78 | 0.000 |
| Female | 97 | 2.26 | 1.34 | | |

Source: Survey result, 2015

(P<0.05) level of significance

As shown, table (4.2.3) the t- value is (4.78) and p- value is (0.000) is found to be significant at the ($p<0.01$) level of significance. Thus, hypothesis 3 is accepted. Hence, there is significant difference in entrepreneurial intention existed among male and female students. This indicates that the entrepreneurial potential of the students is different depend on their gender difference.

4.3. PEARSON CORRELATION ANALYSIS

H4: There is significant positive relationship exist between business support service and entrepreneurial intention of students.

Table 4.3.1: The Relationship between business support service and entrepreneurial intention

| Entrepreneurial intention | | |
|---------------------------|---------------------|------|
| Business support service | Pearson correlation | .463 |
| | Sig.(2-tailed) | .000 |
| | N | 206 |

Source, Own survey, 2015 ** Correlation is significant at the 0.01 level (2-tailed)

The findings of correlation, as presented in table (4.3.1), shows that, the relationship between business support service and entrepreneurial intention is positive which is ($r=0.463$) and p value is ($p=0.000$) is greater than acceptable level of significance which is ($p>0.000$). Therefore hypothesis4 is accepted. So that, there is significant positive relationship exist between business support service and entrepreneurial intention among Assossa polytechnic college students.

H5: There is significant positive relationship exist between perceived access to finance and entrepreneurial intention of students.

Table 4.3.2: The Relationship between access to finance and entrepreneurial intention

| Entrepreneurial intention | | |
|-----------------------------|---------------------|-------|
| Perceived access to finance | Pearson correlation | -.564 |
| | Sig.(2-tailed) | .074 |
| | N | 206 |

Source, Own survey, 2015 ** Correlation is significant at the 0.01 level (2-tailed)

As indicated in the table above (4.3.2), the relationship between perceived access to finance and entrepreneurial intention is negative which is ($r=-0.564$) and p value is ($p=0.074$) is greater than acceptable level of significance which is ($p>0.05$). So that, there is no significant positive relationship exist between perceived accesses to finance and entrepreneurial intention among Assossa polytechnic college students. Thus hypothesis 5 is not accepted.

H6: There is significant positive relationship exist between perceived fear to failure and entrepreneurial intention of students.

Table 4.3.3: The Relationship between perceived fear to failure and entrepreneurial intention

| Entrepreneurial intention | | |
|---------------------------|---------------------|-------|
| Perceived fear to failure | Pearson correlation | -.518 |
| | Sig.(2-tailed) | .094 |
| | N | 206 |

Source, Own survey, 2015 ** Correlation is significant at the 0.01 level (2-tailed)

The findings of correlation in table (4.3.3) indicates that the relationship between perceived fear to failure and entrepreneurial intention is negative ($r= -.518$) and the p value is ($p=0.094$) which is definitely greater than ($p>0.05$) acceptable level of significance. So that, there is no significant positive relationship exist between perceived fear to failure and entrepreneurial intention at ($p>0.05$) significance level. Thus hypothesis6 is not accepted.

4.4. MULTIPLE REGRESSION ANALYSIS

Regress entrepreneurial intention (as dependent variable) on environmental and personal variable (as independent variable) for Assosa polytechnic college students.

H7: The environmental, demographic and personal variable of access to finance, entrepreneurship education, business support service, gender, family background and perceived fear to failure will significantly explain the variation in entrepreneurial intention of Assosa polytechnic college students. As shown in table (4.4.1) in overall, the results revealed that all independent variables accounted for 78.4% of the variance in entrepreneurial intention ($R = 0.784$). Thus, 78.4% of the variation in entrepreneurial intention can be explained by the six entrepreneurial factors and other unexplored variables may explain the variation in entrepreneurial intention which accounts for about 21.6%. Among the entrepreneurial factors (entrepreneurship education, family business background, business support service and gender) significantly explain entrepreneurial intention.

However, perceived fear to failure and perceived access to finance under study were failed to explain for the dependent variable entrepreneurial intention. The results of this study further indicate that family business background is the most important factor to have a positive and significant influence on entrepreneurial intention. Therefore, hypothesis7 is accepted; in that the demographic, environmental and personal variables of gender, family business background, entrepreneurship education, and business support service significantly explain the variation on entrepreneurial intention Assosa polytechnic college students.

Table 4.4.1: Regression analysis result for entrepreneurial barriers and entrepreneurial intention

| Variable | Unstandardized | | Standardized | t | Sig. |
|-----------------------------|----------------|------------|--------------|-------|--------|
| | Coefficients | | Coefficients | | |
| | B | Std. error | Beta | | |
| (Constant) | .612 | .347 | | 4.64 | .012 |
| Perceived fear to failure | .948 | .742 | -.846 | -5.64 | .186 |
| Entrepreneurship education | .791 | .236 | .834 | 5.49 | .000** |
| Gender | .936 | .648 | .628 | 4.78 | .000** |
| Perceived access to finance | .842 | .364 | -.768 | -2.38 | .581 |
| Family business background | .968 | .493 | .872 | 6.18 | .000** |
| Business support service | .963 | 1.03 | -.893 | 4.52 | .000** |

Source, Own survey, 2015 R square .784

* $P < 0.05$ ** $p < .01$

CHAPTER FIVE: CONCLUSION AND RECOMMENDATIONS

5.1. CONCLUSION

The study was conducted to examine barriers to entrepreneurial intention in the case of Assosa polytechnic college students. The finding of the descriptive analysis indicates that students have an intention to follow entrepreneurship after graduation. The result of this study indicates that students have high level of entrepreneurial intention. Furthermore, the finding revealed that there is a problem of financial accessibility for starting new business as it was perceived by respondents. The independent t-test result shows that a significant difference was found between gender and entrepreneurial intention, family background and entrepreneurial intention, entrepreneurship education and entrepreneurial intention. Family business background is the best predictor of entrepreneurial intention this is followed by entrepreneurship education and gender. Furthermore, the entrepreneurial barriers listed above significantly explain the variations in entrepreneurial intention.

5.2. RECOMMENDATIONS

In light of the findings and conclusion made above, the following possible recommendations are suggested as being valuable to the Assosa polytechnic college for improving student's entrepreneurial intention to make them entrepreneur. This study was found that, there is no significant positive relationship exists between perceived access to finance and entrepreneurial intention. Therefore, the college should create link with financial institution, to change the negative perception of students towards access to finance. Furthermore this study found that there is a significant difference in entrepreneurial intention between male and female students. Female students have lower entrepreneurial intention than male students. As a result, entrepreneurship training should be given to improve entrepreneurial intention of female students. The significant difference in entrepreneurial intention was also found between students of family business background and non business family background. Non business family background students have lower entrepreneurial intention than business family background students. Therefore, experience sharing program should be prepared to improve entrepreneurial intention of non business family background students. Furthermore, this study was found that, there is no significant positive relationship exists between perceived fear to failure and entrepreneurial intention. Therefore, the college should give entrepreneurship training how to reduce risk of a business and develop their confidence to change the negative perception of students towards risk that may face when they launch a new business.

SUGGESTIONS FOR FURTHER STUDY

The study was conducted in a single organization, so this study may be limited in its generalisibility of the findings to other such organizations. So, future research should have to incorporate other entrepreneurial barriers such as economic instability need to achievement, self-confidence and other were not investigated. They may have influence on entrepreneurial intention, so in order to improve on this, it is recommended that future research needs to add these factors for better results to bring.

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