



**ENTREPRENEURIAL INTENTION AND ITS DETERMINANTS: EVIDENCE  
FROM UNIVERSITY STUDENTS IN ADDIS ABABA**

**(A thesis submitted to the School of Graduate studies of Addis Ababa University in  
partial fulfillment of the requirements for the degree of Master of Business  
Administration (MBA) degree)**

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## **Declaration**

I hereby declare that this thesis is my original work. It has not been presented for a degree in any other university and that all sources of material used for the thesis have been duly acknowledged.

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## Certification

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This is to certify that the thesis prepared by Golo Dida, entitled *Entrepreneurial Intention and Its Determinants: Evidence from University Students in Addis Ababa* and submitted in partial fulfillment of the requirements for the Master of Business Administration (MBA) degree.

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# Table of Contents

<b>Contents</b>	<b>Pages</b>
Acknowledgment	
List of Tables	
List of  Acronyms	
CHAPTER-ONE : INTRODUCTION.....	1
1.1. Background of the study.....	1
1.2. Statement of the problem.....	4
1.3. Research questions .....	6
1.4. Hypothesis of the study.....	6
1.5. Objective of the study.....	8
1.5.1. General objective.....	8
1.5.2. Specific objective .....	8
1.6. Significance of the study .....	8
1.7. Scope of the study .....	9
1.8. Limitation of the study .....	10
1.9. Organization of the paper .....	10
CHAPTER –TWO: REVIEW OF RELATED LITERATURE.....	12
2.1. Introduction.....	12
2.2. Theory of planned behavior .....	12
2.3. Theory of entrepreneurial event .....	13
2.4. Entrepreneurial intention .....	14
2.5. Empirical studies on entrepreneurial intention among university students.....	15
2.6. Link between entrepreneurial intention and entrepreneurship .....	17
2.7. Demographic characteristics and entrepreneurial intention.....	17
2.7.1. Gender.....	18
2.7.2. Family background .....	19
2.8. Environmental factors and entrepreneurial intention .....	20
2.8.1. Perceived Government policy .....	21
2.8.2. Entrepreneurship Education .....	22
2.8.3. Social norm .....	24

2.8.3. Perceived access to finance .....	25
2.9. Conceptual Framework.....	26
CHAPTER THREE: RESEARCH METHODOLOGY.....	27
3.1. Introduction.....	27
3.2. Research Design.....	27
3.3. Population and Sampling .....	27
3.4. Data collection procedure .....	28
3.5. Measurement of the variables.....	28
3.5.1. Dependent variables and Independent variables .....	28
3.6. Reliability of the instrument.....	29
Source: Survey result, 2013.....	29
3.7. Method of data analysis .....	30
CHAPTER-FOUR: DATA PRESENTATION AND INTREPRETATION.....	31
4.1. Introduction.....	31
4.2. Respondents profile .....	31
4.3. Career choice of students“ right after graduation .....	33
4.4. Comparison of entrepreneurship with organizational employment.....	34
4.5. Entrepreneurial intention of the respondents.....	35
4.5.1. Students“ entrepreneurial intention by Gender .....	36
4.5.2. Students“ entrepreneurial intention by Family background.....	37
4.5.3. Students“ entrepreneurial intention by education.....	38
4.6. Testing difference between groups.....	39
4.7. The mean analysis of Social norm, Perceived Government Policy and perceived access to finance .....	42
4.7.1. Social norm .....	42
4.7.2. Perceived Government Policy .....	43
4.7.3. Perceived access to finance .....	44
4.8. Testing relationship among variables .....	45
4.9. Entrepreneurial index of the respondents .....	48

CHAPTER FIVE: CONCLUSION AND RECOMMENDATION.....	51
5.1. Conclusion .....	51
5.2. Recommendation.....	54
5.3. Recommendations for further study .....	56
References.....	57
APPENDIX I	
APPENDIX II	

<b>List of tables</b>	<b>Page</b>
3.1: Reliability Analysis-----	29
4.1: Respondents Profile-----	32
4.2: Career choice of students“ right after graduation-----	33
4.3: Comparison of Entrepreneurship with Organizational employment-----	34
4.4: Mean of entrepreneurial intention of the respondents-----	36
4.5: Students“ entrepreneurial intention by gender -----	36
4.6: Students“ entrepreneurial intention by Family background-----	37
4.7: Students“ entrepreneurial intention by education-----	38
4.8: Independent t-test based on gender of respondents-----	39
4.9: Independent t-test based on Family background of respondents-----	40
4.10: Independent t-test based Education of respondents-----	41
4.11: Mean score of Social norm-----	42
4.12: Mean score of perceived government policy-----	43
4.13: Mean score of perceived access to finance-----	44
4.14: Correlation between social norm and entrepreneurial intention-----	45
4.15: Correlation between Perceived government policy and entrepreneurial intention-----	46
4.16. Correlation between perceived access to finance and entrepreneurial intention-----	47
4.17: Entrepreneurial index of the respondents-----	49

## **List of Acronyms**

**GUESSS**- Global University Entrepreneurial Spirit Students' Survey

**PASDEP**- Plan for Accelerated and Sustained Development to Eliminate Absolute Poverty

**TPB** – Theory of Planned Behavior

**TEE**- Theory Entrepreneurial Event

## **Abstract**

The objective of this study is to examine entrepreneurial intention and determinants. Specifically, the study tried to examine the impact of Gender, Family background, Social norm, Entrepreneurship education, perceived government policy and Perceived access to finance to entrepreneurial intention of university students in Addis Ababa.

The quantitative approach was employed as research design. Simple Random sampling technique was used to draw sample from population. Data was collected through questionnaire and collected data was analysed through descriptive statistics, independent t-test and correlation analysis.

The significant difference in entrepreneurial intention was found between male and female students, and also between students from business family background and non business family background. The significant difference in entrepreneurial intention was not found between students those had took entrepreneurship education and those had not taken entrepreneurship education. The result indicated that there is significant positive relationship exist between Social norm and entrepreneurial intention. The result indicated that there is not significant positive relationship exist between perceived access to finance and entrepreneurial intention and also the result indicated that there is not significant positive relationship exist between perceived government policy and entrepreneurial intention.

There was no study conducted in Ethiopia relating to entrepreneurial intention and its determinants. In order to fill this gap, a sample of university students in Addis Ababa was investigated.

Key words: *Entrepreneurial intention, Determinants, university and student*

## **CHAPTER-ONE : INTRODUCTION**

### **1.1. Background of the study**

Entrepreneurship has been considered as a possible solution to address poverty in developing countries. It is a means of coping with unemployment problems by providing new job opportunities, and it is also seen as an engine of economic progress and job creation. It has great contribution to economic development of developing countries. Because of this, most of the developing countries are encouraging their citizens to pursue entrepreneurship (Hurry, 2007).

According to Kolvereid (1996), an intention plays a very relevant role in the decision to start a new firm (become an entrepreneur). 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. The theory of planned behavior (Ajzen, 1991), suggests that entrepreneurial intention is the single best mechanism through which countries gain awareness about the state of entrepreneurship in their countries. It is also a means through which countries evaluate their citizens; whether they are potentially entrepreneur or not. This is because of the fact that an entrepreneurial intention is a single best predictor of entrepreneurship (Krueger, Reilly and Carsrud, 2000). Due to this, many countries of the world were organized under one umbrella of Global university Entrepreneurial spirit students' survey (GUESSS) to get the status of their students' entrepreneurial intention, and to identify hurdles and pitfalls when pursuing an entrepreneurial career, and also based on the survey result; to take appropriate policy measures that will stimulate entrepreneurship in their country (Sieger, Fueglistaller and Zellwager, 2011).

It is known that Ethiopia has been working to join countries of middle-income economy in the coming decades. In this process, the problem of young unemployment is gaining series attention as the country is home to one of the largest young populations in sub-Saharan Africa (Guarcello et al,2008).Thus, the government of Ethiopia gives due emphasis to employment creation by formulating different policies and strategies. One of these strategies is to promote entrepreneurship. In this sense, entrepreneurship is seen as one of the mechanisms of solving unemployment problems.

The plan for accelerated and sustained development to eliminate absolute poverty from Ethiopia (PASDEP) considers self employment as possible solution of unemployment among youth. Actually, self employment is the dominant type of employment in the country that employed majority of the labor forces in the country. Despite it composes highest portion of total employment, most Self employed individuals are illiterate. Self employed individuals come from the least educated segment of the labor that is unlike to get wage offers that would make employment an option, and smaller proportion of the highest educated individuals are moving into self employment (Getinet ,2005). The public and private sector employment are considered as “Good jobs” while self employment is considered as “Bad jobs” (Serneels ,2007).This show that highly educated workforce of the country prefer an organizational employment than self employment. In contrast to this, the government employment policy considers self employment as viable employment option for university students. To realize entrepreneurship as viable employment option for university students, the intention of those students who are too dependent on government and private sectors for employment should be changed.

The publication of the green paper on entrepreneurship in Europe (European commission,2003) raised an important question regarding to this subject. How to improve people's inclination towards developing new entrepreneurial initiatives? Approaching entrepreneurship as an attitude, it is not only eliminations of the barriers that obstruct business development and growth but also to encourage more people to become entrepreneurs and prepare for it. This can be done by inculcating entrepreneurship values and changing the mind set as to view self employment as one of the viable alternative of employment. This implies that intention has the power to affect the birth of entrepreneurship. Entrepreneurial intention precedes entrepreneurship (Ajzen, 1991). An individual who has high entrepreneurial intention will become an entrepreneur in due time.

Entrepreneurship is an embedded process in a social, cultural and economic context; hence individuals do take the environment into account in their decision making process (Schwarz et.al, 2009).The environmental factors such as social, economic, political and demographic can influence the intention to establish self-owned businesses (Mazzarol et.al, 1999). The perceived environment can affect the decision or willingness of the individual to become an entrepreneur. Accordingly, the perceived barriers from the environment can negatively affect the entrepreneurial intention while the perceived supportive environment can positively affect the entrepreneurial intention. So that, the educators and policy makers should have to know the perceived environmental factors that could affect the entrepreneurial intention of the students to foster entrepreneurial intention among the students.

Although several studies were conducted relating to entrepreneurial intention and its determinants in many countries, as far as I was reviewed, no study was conducted in Ethiopia. In order to fill this gap sample of universities students in Addis Ababa was investigated. Entrepreneurial intention is said to be an emerging business phenomena so that understanding this intention would help to know whether the students are potential entrepreneurs or not.

## **1.2. Statement of the problem**

The number of undergraduate students graduating from Public and Private Higher Education institutions in Ethiopia is increasing from time to time, and the trend will continue as per the vision of higher education institutions of the country. This number is also swelling with the expansion of new universities and development of intake capacity of the older universities in the country. 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.

The history of entrepreneurship in Ethiopia as the possible option of employment is seriously affected in the past. In the feudal era, entrepreneurship was considered as undesired profession; educated people used to aspire for government jobs which were the source of income, pride and security. Entrepreneurship was considered as a blue collar job, which meant for people with low social profile. The attitude towards blue collar jobs was negative. For instance; People engage in craft like black smith, pottery, welding and

similar ones were among the despised ones in the society. The Socialist era was also not favorable to entrepreneurship development. The government policy discouraged the development of enterprising work. The nationalization, capital fixation and procedural licensing were among the problems that were affected enterprise development during that time (Dawit, 1999).

During the feudal and socialist era, undergraduates' students those were graduated from higher education institutions in Ethiopia were fully employed in government and private organizations. Therefore; Entrepreneurship was the neglected employment option during those times.

Today, entrepreneurship is considered as a viable employment option for university students. The education policy of Ethiopia aims at equipping students with the necessary skill and knowledge that would help them to become an entrepreneur in the future. Basically, the end goal of educating citizens is not only to become an employee in private and public organization but also to become an entrepreneur by using knowledge and skill acquired through education. However, according to the theory of planned behavior (TPB), equipping students with necessary knowledge and skill would not be a guarantee for the students to become an entrepreneur in the future. According to this theory, being an entrepreneur is not a matter of accident rather it is a result of consciously planned behavior (Ajzen, 1991). It means that intentions precede action/behavior. Entrepreneurial intention is an initial step for decision to create a new business. Therefore, Students should have to have an entrepreneurial intention to become an entrepreneur in the future.

According to the study by Haile (2005) , self employment category of the labor market is the less preferred labor market among highly trained human resources of Ethiopia. This indicates that more self employment awareness is needed among students from both educators and policy makers to bring out more entrepreneurs. However, to do this, it is unknown whether environmental factors and demographic factors contribute to student's intention to become entrepreneur. Therefore, in order to design an effective program, and foster entrepreneurial intention among students, the policy makers and educators should have to know the level of students' entrepreneurial intention, and the factors that may affect entrepreneurial intention among the students.

Therefore, this study aims to provide useful information on entrepreneurial intention of university students, and to identify the demographic and environmental factors that might influence the entrepreneurial intention of the students.

### **1.3. Research questions**

The study attempted to answer the following questions.

1. Do demographic characteristics have influence on the entrepreneurial intention of university students in Addis Ababa?
2. Do environmental factors have influence on the entrepreneurial intention of university students in Addis Ababa?
3. What is the position of Self employment when compare with other career options?
4. What is the level of entrepreneurial intention of university students in Addis Ababa?
5. What is the level of students' entrepreneurial index when compared to international entrepreneurial index?

#### **1.4. Hypothesis of the study**

This research has the following null hypotheses

H1: There is a significant difference exist in entrepreneurial intention between male and female students.

H2: There is a significant difference exist in entrepreneurial intention between students of business family background and non business family background.

H3: There is significant difference exist in entrepreneurial intention between students those who had taught Entrepreneurship education and those who had not taught Entrepreneurship education.

H4: There is significant positive relationship exist between Social norm and entrepreneurial intention of the university students.

H5: There is significant positive relationship exist between Perceived Government policy and entrepreneurial intention of the university students.

H6: There is significant positive relationship exist between perceived Access to finance and entrepreneurial intention of the university students.

## **1.5. Objective of the study**

### **1.5.1. General objective**

The major objective of this thesis is to examine entrepreneurial intention and its determinants among university students in Addis Ababa?

### **1. 5.2. Specific objective**

The study has the following specific objectives

- ✓ To identify environmental factors that determines entrepreneurial intention of university students in Addis Ababa.
- ✓ To identify demographic factors that determines entrepreneurial intention of university students in Addis Ababa.
- ✓ To compare Self employment with others career options.
- ✓ To compare entrepreneurial index of the students with international entrepreneurial index of university student.

## **1.6. Significance of the study**

This study is important for policy makers as well as academicians.

The Ethiopian employment policy is considering the entrepreneurship as the possible employment option among undergraduate students. This could be possible when the students are seriously considering entrepreneurship as their career choice. According to theory of planned behavior (Ajzen, 1991), the students choose entrepreneurship as their career option if they have entrepreneurial intention. This is because of the fact that an entrepreneurial intention is an initial step in process to become entrepreneur. Promoting entrepreneurship as career options for students entering the labor market is one of the mechanism through which government improves entrepreneurship development in the

various countries of the world. Promoting entrepreneurial intention of the students is also becoming the policy of the governments whose objective is to generate more employment through enterprise creation. So that, policy makers need to have information on the students' entrepreneurial intention to promote entrepreneurial intention of potential entrepreneur. They also need information to work on students' career choice that would contribute to entrepreneurship development in the country.

It is known that job aspiration has great effect on unemployment. The Higher education institutions have a vital role in shaping the attitudes of students towards entrepreneurship. The institutions can improve student's entrepreneurial intention by teaching entrepreneurship education and providing career advisor service. As the career preferences of students are very diverse in nature, the higher education institutions need to have information about student career preference and level of students' entrepreneurial intention to undertake this responsibility.

The intention to start business depends on assessment of the expected cost and benefit. This expected cost and benefit are determined by environmental factors in which the business will operate. Therefore, investigating whether the existing environment is escalating or impeding entrepreneurial intention of student is also crucial to emphasize on important factors.

Obviously, this research will hopefully contribute to existing stock of knowledge in the realms of entrepreneurship.

### **1.7. Scope of the study**

This research focuses on students' entrepreneurial intention and factors that influence this intention. The population of the study is university students from Addis Ababa University, Admas University College and Alpha University College. Sample was taken from final year undergraduate students of Business and economics.

### **1.8. Limitation of the study**

The study has some limitations. Firstly, the sample of this study was selected from final year students of business and economic in Addis Ababa. This has limited the generalization of the finding of the study for all university students in Ethiopia. Secondly, the study focused on six independent variables. There might be other variables that can determine entrepreneurial intention of university. Absence of empirical evidence in Ethiopian context affects the empirical grounding of the study.

### **1.9. Organization of the paper**

This paper was organized into five separate chapters.

The first chapter is brief introduction which includes; Statement of the problem, Research questions, Hypothesis of the study, Objectives of the study, Significance of the study, Scope of the study and Limitation of the study. The second chapter is literature review which includes; Theory of planned behavior, Theory of entrepreneurial event, Entrepreneurial intention, Empirical studies on entrepreneurial intention among university students, Link between entrepreneurial intention and entrepreneurship, Demographic characteristics and Entrepreneurial intention and environmental factors and entrepreneurial intention.

The third chapter is methodology of the research which includes; Research design, Sampling technique, Data collection procedure, and Methods of data analysis. The Fourth chapter discusses Result of the study, and last chapter includes; Conclusion, Recommendation and suggestion for further research.

## **CHAPTER –TWO: REVIEW OF RELATED LITERATURE**

### **2.1. Introduction**

This chapter focuses on review of related literature which is necessary for building a strong theoretical foundation. The theory is base for development of theoretical framework and hypothesis formulation. The Dependent variable and independent variables of the study are defined in this chapter. Entrepreneurial intention is a dependent variable, and independent variables are Family background, Gender, Entrepreneurship education, perceived Government policy, Perceived Access to finance and social norm.

Generally, study of entrepreneurial intention is based on two overlapping theories. They are; Theory of planned behavior, and Theory of entrepreneurial event.

### **2.2. Theory of planned behavior**

According to this theory, an intention is a single best predictor of the behavior. Entrepreneurship is best explained from entrepreneurial intention. The theory maintains that there are three explanatory variables of intention. These variables are; Attitude towards the behavior, Perceived behavior control and social norms. Attitude towards the behavior refers to the degree to which the individual holds a positive or negative personal valuation about being entrepreneur. Perceived behavior control refers to the easiness or difficulty in fulfillment of the behavior of interest (becoming entrepreneur). Social norm refers social pressure to carry out or not to carry out that entrepreneurial behavior. Ajzen(1991) stated that behavioral activity such as entrepreneurship is an intentionally planned outcome. So that, by studying perception and how individuals behave in a particular situation one can easily predict whether the person will eventually take a

certain course of action or not. This theory assumes that the new business creation is a deliberate and designed behavior.

### **2.3. Theory of entrepreneurial event**

According to this theory, firm creation is a result of the interaction among contextual factors, which would act through their influence on the individual perceptions. The consideration of the entrepreneurial option would take place as a consequence of some external change – precipitating event (Peterman and kenned-2003) .There are two basic kinds of perceptions. i.e, Perceived desirability and Perceived feasibility. Perceived desirability refers to the degree to which he/she feels attraction for a given behavior (to become entrepreneur). Perceived feasibility defined as the degree to which people consider themselves personally able to carry out certain behavior.

Based on these theories, this research was tried to examine entrepreneurial intention, and the perceived environmental factors those may influences entrepreneurial intention. According to theory of planned behavior (Ajzen, 1991), entrepreneurship is a process undertaken by individual to establish a new organization. In these sense, Entrepreneur is an individual who creates a new organization (Gartner et .al 1994). The most important question is how to predict whether someone is potential entrepreneur or not. According to the theory of planed behavior (Ajzen, 1991), entrepreneurial intention is the single best predictors of future entrepreneurs (Roynolds, 1995). An entrepreneurial intentions are important to understanding the overall process of entrepreneurship; as they serve as the key initial steps in the process of new business formation (Kartz and Gartner ,1998).

In line with theory, this study tried to investigate the level of entrepreneurial intention among universities students in Addis Ababa.

According to theory of entrepreneurial event, the formation of the new business is based perception of contextual factors. The contextual factors influence perceived feasibility and desirability; they two antecedents of entrepreneurial intention, those in turn influence entrepreneurial intention. In line with this theory, this study was tried to investigate the relationship between some contextual factors and entrepreneurial intention.

#### **2.4. Entrepreneurial intention**

Entrepreneurial intention is the entrepreneur's states of mind that direct attention, experience, and actions towards a business concept (Bird, 1988). Intentions are considered to be the very important step in the entrepreneurship process for people who want to start up a new business. Creating a new business is composed of conscious activities so that the individual fosters primary idea of a business develops the plan in a secure environment and implements the business program with practical actions (Krueger et al, 2000).

According to Bandura (2001), an intention is a representation of a future course of action to be performed; it is not simply an expectation of future action but a proactive commitment to bringing the about. An intention is the center of the plan of action. This means that, absent intention, action is unlikely. An entrepreneurial intention is a commitment to starting a new business. It is the degree of commitment directed towards the performance of the entrepreneurial endeavor of putting up a business for self employment (Krueger, 1993).

According to Bagozzi et.al (1989), an intention is a crucial predictor of subsequent planned behavior, consequently, entrepreneurial intention is a decision to form a new business venture that is planned rather than conditioned. An individual may have the potential of being entrepreneur because of own competency and self-efficacy but may not make the transition into entrepreneurship because of a lack of intention (Krueger et.al, 2000).

Entrepreneurial intention is one's willingness in undertaking entrepreneurial activity or become self-employed as opposed to becoming waged or salaried individual (Tkachev and Kolvereid, 1999). According to Thompson (2009), Entrepreneurial intention is a self knowledge conviction by a person who intends to set up a new business venture and consciously plans to do so at some point in the future. For purpose of this research, entrepreneurial intention is defined as the willingness to become self –employed as opposed to organizational employment.

## **2.5. Empirical studies on entrepreneurial intention among university students**

According to Fridoline (2009), if one knows entrepreneurial intention and its level of existence among individuals, then she/he can predict whether enterprising students exist in the university population or not. This implies that students with entrepreneurial intention will end up in setting business ventures.

According to Counsell (1996) the top influences on career decisions were information and advice from parents and close family followed by friends.

According to Ertuna and Gurel's(2011) the university students with an entrepreneurial family have significantly higher of entrepreneurial intention to become an entrepreneur.

Wang and Wong (2004) study on university students in Singapore, found that students from business parents have greater interest in entrepreneurship than none business parent students. Tervo and Haapenen( 2007) emphasized that there is a clear connection with entrepreneurial intentions and having role models inside family.

According to Matthews and Moser (1996), study on business administration university students found that gender and families which own business influenced entrepreneurial attitudes among the students.

According to Crant (1996), the gender, educational level and parents who own business contribute towards influencing entrepreneurial intention. Crant,s study on university students in the US (1996) indicated that male students exhibit significantly higher entrepreneurial intention compared to female students. Chen and Sung (2011) found that male university students have stronger entrepreneurial intentions than female university students.

Clark et .al (1984), surveyed on the students participated in introductory entrepreneurship course and found that, by the end of the course, 80% of the students are intend to start their own business and from which 76% students are speak out that attending the course had strong influence on their decision to enter the entrepreneurial career.

According to Norudin et.al (2007), the correlation between the willingness of the students to be an entrepreneur with the financial factor is very much significant.

## **2.6. Link between entrepreneurial intention and entrepreneurship**

Several studies evidenced that great relationship exist between entrepreneurial intention, and entrepreneurship. According to Bird(1988), intentionality as a state of mind directing a person ,s attention towards a specific goal in order achieve something . Entrepreneurial intentions are directed towards creating an entrepreneurship or creating new values in an existing venture. Entrepreneurship is an outcome of entrepreneurial intention so that entrepreneurial intention is typical of emerging business. According to (Davidsson, 1995) entrepreneurial intentions are assumed to predict individual choices to form their own firm.

## **2.7. Demographic characteristics and entrepreneurial intention**

According to previous studies, demographic factors such as gender and family background can influence entrepreneurial intention of an individual's (Yusop, 2002, Crant, 1996; Matthew and Moser, 1996; Buttner and Rosen, 1989). Even though, there is no consensus in their findings, according to most studies, the male have higher entrepreneurial intention than its female counter parts (Dunn, 2004, Sandhu et.al (2011) and Vaciana et.al (2005)), and the individuals from family with business back ground have stronger intention than the one whose family does not have business background. Based on these studies, this study tries to investigate the impact of Gender and family back ground on the entrepreneurial intention of the university students in the Ethiopian context.

### **2.7.1. Gender**

There is much heterogeneity among male and female when it comes to entrepreneurship. Women working less hours and access to resources can account for some of these heterogeneities between these two groups of human beings. Women have also much more domestic demands competing for their time, thus having little time for venture creation. Because of these, male have more entrepreneurial intentions and as such tend to be more likely and have more interest to start business leaving their female counterpart less likely to be founder of new businesses(Phan,Wong and Wang;2002,Mazzarol,Voley,Doss and Thein,1999)

According to Davidsson(1995) , men universally are always on high rank to bear attitudes and values favoring them for competitiveness and achievement than women efforts to establish a business involves high degree of self- efficacy , thus women seem to have lower perceptions in this aspect. Moreover, the perceived natural inequalities in gender roles are other issues to be taken into consideration. For example; for many years, women were mainly regard as responsible for children care and kitchen duties. Thus, the traditional occupations for women did not attract much entrepreneurship efforts. Further to that, the institutional approach where there was patriarchal pressure in most society's hindered women into entering into business.

Brush (1992) found that men are more inclined towards entrepreneurial business than women with similar background. A large quantity of researches proved that women face more difficulties in venturing process as compared to their male counterparts.

Particularly, Women entrepreneurs face more difficult in arranging a capital to start or to support their business (Fay and Williams, 1993).

The studies conducted in different nations discovered that the objective success rate for women entrepreneurs is very less and they face slower rate of growth, low profits, and low sales (Brush et al, 2006, Welter et al.2002). Several studies reveal that gender stereotype influence the intentions of men and women to involve and pursue entrepreneurial activities as their career (Gupta et al, 2008). This study considers gender as being male or female.

### **2.7.2. Family background**

A person is most likely to be influenced by a particular group of individuals such as family members, friends, peers, and others close ones in one's life. For example;- people who growth up around a society or family that runs business or where family business is practiced are likely to learn and model entrepreneurial tendency, perceiving it to be feasible, more socially desirable and rewarding than formal employment in an established organization. The desire to start or not to start a business may also be influenced by the meaning that one attaches to business; which in turn is socially generated and sustained. As for university students, this is very important as they may be at the stage to decide on their career preferences (Hmileski and Corbet, 2006).

Family background is important variable that has been considered to contribute to the entrepreneurship intention. Generally, individuals who have families with business tend to show higher attitude towards entrepreneurship than those families that don't have business undertakings. The study undertaken by Davidsson(1995), state that the choice of

career for students is influenced by family anticipation. Hisrich (2000) argues that the family involvement in business tends to influence the students future career to be involved in business too. According to Crant, et.al (1996), the entrepreneurs were often raised in families where the mother or father was self employed. This study considers family background as an occupation of the family. Family is understood as the mother and father of the students.

## **2.8. Environmental factors and entrepreneurial intention**

According to Arenuis and Minnit (2005), new venture creation and entrepreneurial decision never take place in a vacuum, but they are affected by environment in which they were took place (Chell and Baines, 2000). Individual will stimulate their entrepreneurial potential if he/she perceives that there are environmental possibilities (Kirby, 2006). This means that the entrepreneurial intention of an individual can be affected by perceived environmental factors. Accordingly, if the perceived environment is favorable to development of entrepreneurship; entrepreneurial intention of individual will be enhanced, and conversely, if the perceived environment is not favorable to the development of entrepreneurship, the individual entrepreneurial intention will be reduced. According to Thurik and Uhlaner(2002), there are several environmental factors that can influence potential entrepreneurship. Among these factors, this study tries to investigate the influence of government policy, entrepreneurship education, social norm and Access to Finance on the entrepreneurial intention.

### **2.8.1. Perceived Government policy**

There are many barriers to launch a new business for individuals among which the policies of the government, existing rules and procedures, social and economic condition etc. if entrepreneurs are faced with a large number of probative rules, they will be disappointed to create new businesses(Feugel,2001). According to (Kurlius, 2000), the government has often been recognized as barriers to begging entrepreneurial activities. A crucial part of entrepreneurship promotion by the government is to formulate business policies in order to support entrepreneurship and the creation of new business through various programs (Chell and Allman, 2003).

Entrepreneurship flourishes in countries in which government regulations support new ventures (Busenitz et.al, 2000). According to Nguyen T.v.et.al (2008), a person who has a desire to create a new venture may never do so because she/he is deterred by the environment which is not favorable or the belief that starting a new venture is not feasible due to rules, regulations, institutions and lack of right mechanism in place that hinder entrepreneurship intention process. Creating a business environment conducive to entrepreneurship and enterprise creation requires a board range of reinforcing and supporting policies. The structural policies that determine the overall economic framework in which the business sector operates such as those affecting labor markets, tax design, competition and financial market. State regulation can affects potential entrepreneurship development (Jodyanne, 2009).

According to Klapper (2004), it is essential to create the right entrepreneurial environment that really promotes the entrepreneurial activity. The government such as

loans, rule and regulations would definitely key conditions for success in nurturing and promoting entrepreneurship. This study considers government policy as rule and regulation governing existing businesses.

### **2.8.2. Entrepreneurship Education**

Education can affect students' attitudes towards entrepreneurship and their entrepreneurial self-efficacy. Lack of entrepreneurial education leads to low level of entrepreneurial intention of students (Frankeluthje, 2002). According to the Dyer (1994), the entrepreneurship courses and training regarding start of new business contributes towards starting a new business and it gives confidence and courage to them. Education in entrepreneurship can improve the perceived feasibility for entrepreneurial business through increased knowledge base of students, confidence building and promoting self-efficacy (Krueger and Brazeal ,1994). Entrepreneurship education has been lauded as being able to create and increase awareness as well as promote self employment as a career choice among young people (Clayton 1989; Fleming 1996). Therefore, the role of entrepreneurship education is mainly to build an entrepreneurial culture among young people that in turn would improve their career choices towards entrepreneurship ( Deakins, Glanccy et.al,2005).

According to Redfort and Trigo (2007), Entrepreneurship education can have three key roles in promoting an entrepreneurial society. It may act as a general advocate for mindset and type of creativity employed in entrepreneurial endeavors and presenting students with entrepreneurship as a possible career choice. Moreover, it has a skill development role by assisting students in developing the technical and business skill- set

necessary to have a successful entrepreneurial career. Finally, it may have a scientific development role by contributing for the advance the body of knowledge associated with the entrepreneurial phenomenon.

Wang and Wong (2004) in their study said that “the entrepreneurial dreams of many students are mainly hindered by inadequate preparation focused on their personality characteristics, they also pointed out the fact that the entrepreneurial dreams of many students are hindered by inadequate preparation and their business knowledge is insufficient more importantly, they are not prepared to take risk to realize their dreams. Therefore, academic institutions might play critical roles in the encouragement of young people to choose an entrepreneurial career.

Entrepreneurship education influence student’s awareness of entrepreneurship as an alternative career path to paid employment and provide students with skills needed to start and successfully run their own business. It is based on the assumption that entrepreneurial intention and skills can be taught and learned (Gorman et.al 1997).

Entrepreneurship education can increase student’s awareness of the importance of entrepreneurship and the contribution it can make to communities, society and the economy. By learning about entrepreneurship, students realize the possibilities that entrepreneurship can offer and gain insight into entrepreneurship as a career path (MJ.Scheepers.et.al., 2009) .This study considers entrepreneurship education as the course or courses given to the students which might influence their career decision.

### **2.8.3. Social norm**

Ajzen(1991), social norm refers to the perceived social pressure from one's peer and significant others impacting ones' intention to perform or not to perform a specific behavior. Influences of other people that are close to a person can have influence on his or her intention to act in a certain way. The theory of planned behavior terms this as subjective norms' the perceived social pressure to perform or not perform the behavior. It can be individual family expectation to become entrepreneurs that influences the desirability of the same individual in setting up an own business. The more supportive the social norms are, the higher the intention (Wilson, Kickul and Marlino, 2007).

The theory of planned behavior (Ajzen, 1991) suggests that the entrepreneurial intention will be shaped by how students' parent's, family and friends react to their entrepreneurship aspiration. It is expected that those students who face negative reactions from people close to them may be dissuaded from pursuing entrepreneurship. Conversely, students who receive positive reactions will be more likely to pursue entrepreneurship. This study consider social norm as the pressure exerted from friends and society at large to the students to pursue certain employment careers and not others.

### **2.8.3. Perceived access to finance**

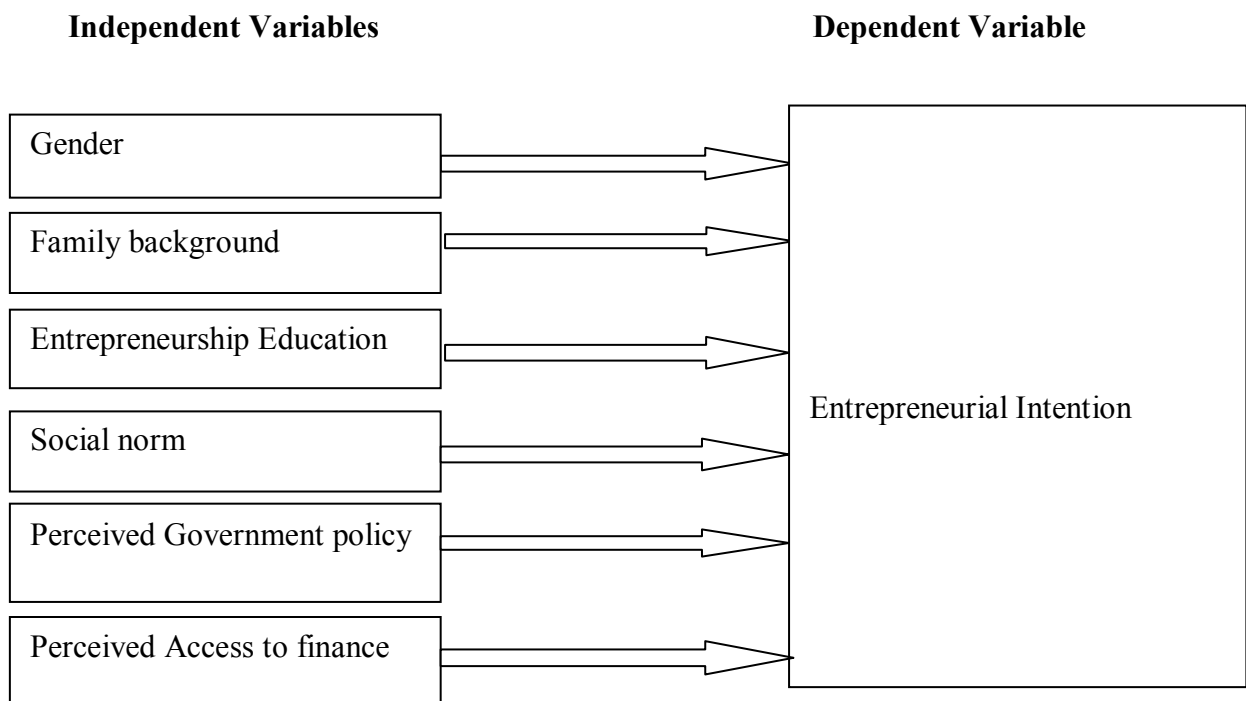
According to Kristiansens and Indart (2004) lack of access to capital and credit scheme, and the constraints of financial systems are regarded by potential entrepreneur as main hindrances to business innovation and success in developing economies.

According to Fleming (1996), study in Ireland, Lack of finance is an obstacle that affects preferred future career choice of university students. Entrepreneurship is the less preferred future career choice of university students because of finance constraints.

According to Grilo and Thurik (2005), 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. According to Greene (2005), access to finance is necessary to start firm. It is also perceived as one of the impediments for younger people to start their own business. This study considers access to finance as startup capital required for starting new business.

## 2.9. Conceptual Framework

It is important to know the reason why some people used to pursue entrepreneurship and why some people are not used to pursue entrepreneurship. According to several studies such as (Bird, 1988, Davidsson, 1995, Ajzen, 1991), entrepreneurial intention is the key for pursuing entrepreneurship. By taking the great role that an entrepreneurial intention has for the birth of entrepreneurship, it is important to know the factors that determine entrepreneurial intention. According to (Gnyawali and Fogel, 1994), the environmental and demographic factors are the main factors that can strengthen or weaken the intention of prospective entrepreneurs. Therefore, based on the review of literature on area of entrepreneurial intention and its determinants, I was developed the following framework which guide this study.



Source: compiled from review

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1. Introduction**

This chapter focuses on Research design, Sampling technique, Data collection procedure and Method of data analysis. Accordingly, quantitative research design was employed, Simple random sampling technique was used, questionnaire was used to gather data, and the gathered data was analysed by descriptive statistics, independent t-test and correlation analysis.

### **3.2. Research Design**

The study was employed quantitative research design. Hypothesis testing was undertaken to test the difference between groups and relationships among variables. Entrepreneurial intention is the dependent variable while Gender, Family background, Social norm, entrepreneurship education, perceived Government policy, and perceived Access to Finance are independent variables.

### **3.3. Population and Sampling**

The research population for this study was final year undergraduate students of business and economics from three universities in Addis Ababa. Particularly; - Addis Ababa University, Admas University College and Alpha University College. The total targeted population was 652 students. From which, 195 sample were selected through simple random sampling technique. From this sample population, the responses of 180 respondents were qualified for analysis. The final year students were selected as they are ready to inter into the labor market or ready to decide their career path, and Faculty of Business and Economics was selected as it was offering different business courses

including entrepreneurship which might promote entrepreneurial intention among students. The unit analysis of the study is an individual student.

### **3.4. Data collection procedure**

Data was collected through questionnaire. The close ended questions having seven choices were asked to acquire primary data. The questionnaire was distributed to the respondents after reviewed and approved by the advisor.

### **3.5. Measurement of the variables**

This study has both dependent and independent variables. These variables were measured as follows.

#### **3.5.1. Dependent variables and Independent variables**

This study has one dependent variable which is entrepreneurial intention. This variable was measured on seven point likert scale which is ranging from (strongly disagree) to (strongly agree).

This study have also six independent variables; namely; - Gender, Family background, social norm, Entrepreneurship education, perceived Government policy and perceived access to finance. Social norm, perceived Government policy and perceived access to finance was measured on seven point likert scale which is ranging from (strongly disagree) to (strongly agree). Family background is the occupation of the students families, as being run their own business or in others occupations. Entrepreneurship education is the course/s offered to students; categorized as taught and not taught and Gender is being male or female.

### 3.6. Reliability of the instrument

Pilot test was undertaken for reliability analysis. For these tests, SPSS Alpha statistical tool of version (17) was employed. The cronbach" Alpha value of greater than (0.70) is an acceptable cutoff point of reliability test (Nunnally, 1987). The result of reliability test of all variables of the study is above this cutoff point which is (0.70). So that, they instrument is reliable. The result of reliability analysis of the scale is written in the table below.

Table 3.1: Result of Reliability analysis

Variables	Cronbach" Alpha
Entrepreneurial intention	0.85
Social norm	0.82
Perceived Access to finance	0.76
Perceived Government policy	0.744

**Source: Survey result, 2013**

### **3.7. Method of data analysis**

The quantitative techniques were employed. The descriptive statistics such as mean, standard deviation, and frequencies was employed to describe variables. The independent-t- test was employed to identify whether significant difference exist in entrepreneurial intention between student based on Gender, Family background and entrepreneurship education they had taught. Correlation analysis was employed to check the relationship between some independent variables and dependent variable, and Standard regression analysis was undertaken to identify the individual contribution of each independent variables to dependent variable.

## **CHAPTER-FOUR: DATA PRESENTATION AND INTREPRETATION**

### **4.1. Introduction**

This chapter discuss on the respondents profile, respondents career choice, Comparison between entrepreneurship and organizational employment, mean analysis of variables, testing difference between groups, testing relationship among variables, standard regression analysis and entrepreneurial index of respondents.

### **4.2. Respondents profile**

The population for this study was final year undergraduate students of business and economics from three universities in Addis Ababa. Particularly; - Addis Ababa University, Admas University College and Alpha University College. The total targeted population was 652 students. From which, 195 sample were selected through simple random sampling technique. From this sample population, the responses of 180 respondents were qualified for analysis.

The sample includes male and female students and students from business family background as well as non business family background. The sample also includes students those had taught entrepreneurship education and those had not taught entrepreneurship education, those had experience of running business as well as those had no experience of running business.

Frequency distribution of respondents Gender, Family background, and Business experience and entrepreneurship education is indicated in the table below.

Table 4.1: Respondents profile

Respondents profile	Specification	Frequency	Percentage
Gender	Male	118	66
	Female	62	34
Family background	Business family	109	61
	Non business family	71	39
Business experience	Yes	25	14
	No	155	86
Entrepreneurship education	Yes	108	60
	No	72	40

**Source: Survey result, 2013**

The table (4.1) above reveals that 66% of the respondents are male and 34% are female. 61% of respondents are from business family background and 31% of respondents are from no business family background. This shows that most of respondents are male and from business family background. Again, as it was exhibited in the same table (4.1) above, 86% of respondents had no experience of running business and only 14% of the respondents had an experience of running business. From total respondents, 60% of respondents had taught entrepreneurship education and 40% of the respondents had not taught entrepreneurship education. This shows that most of the respondents had no experience of running business and had taught entrepreneurship education.

### 4.3. Career choice of students' right after graduation

As career options are diverse in nature. Individual do prefer one career option over other options. So that, it is important to know the position of entrepreneurship as career option of students when compared with other career options those are indicated in the table below.

Table 4.2: Career choice of students" right after study

Career	Frequency	Percentage
Employee	69	38
Entrepreneurship	103	58
No plan	8	4
N	180	100

**Source: Survey result, 2013**

The table (4.2) above reveal that majority of the respondents have willingness to pursue entrepreneurship right after graduation; which is 58% of total respondents. From the total respondents, the percentages of students who are willing to employ in the already established organizations are 38% of the respondents, and 8% of the respondents have no plan for what they will pursue after graduation.

#### 4.4. Comparison of entrepreneurship with organizational employment

There are many pull and push factors which can affect the career choice of an individuals. Individuals do consider these factors when evaluating alternative career options. Based on these factor analysis, individual do pursue the career option which has higher perceived value than others option. Thus, Career option which has more expected value is more preferred than the one with less expected value. Therefore, the entrepreneurship was compared with organizational employment based on the following factors.

Table 4.3: Comparison of entrepreneurship with organizational employment

Factors	Entrepreneurship		Organizational Employment		Total percentage
	Frequency	Percentage	Frequency	Percentage	
Independence	166	92	14	8	100
Income	145	81	35	19	100
Risk	152	84	28	16	100
Job security	69	38	111	61	100
Recognition	136	76	44	24	100
Workload	117	65	63	35	100
Job satisfaction	161	89	19	11	100

**Source; Survey result, 2013**

From the above table (4.3), relatively more independence, Income, job satisfaction and recognition were expected from being an entrepreneur that being an employee in already established organization; as it was evidenced by 92%, 81%, 89% and 76% of respondents

respectively. Entrepreneurship has high risk and high workload when compare to organizational employment; as it was evidenced by 84% and 65% of respondents respectively. High job security and low workload were more expected from organizational employment than entrepreneurship; as it was evidenced by 61% and 63% respondents respectively.

This implies that students prefer to pursue entrepreneurship over the organizational employment option because of independence, Income, job satisfaction and recognition that perceived to be gained from entrepreneurship than organizational employment career option. On the other hand, they prefer to pursue organizational employment than self employment because of high risk, Workload, and low security involved in self employment.

#### **4.5. Entrepreneurial intention of the respondents**

Entrepreneurial intention is a willingness of individual to pursue entrepreneurship or start their own firm. Entrepreneurial intention helps to predict whether someone is potentially entrepreneur or not in due time as of the theory of planned behavior (Ajzen, 1991). The mean level of entrepreneurial intention helps to know how the sampled population is potentially entrepreneur or not. Hence, it is important to know mean score of entrepreneurial intention of sample to make general inference for population.

Table 4.4: Mean score of entrepreneurial intention of the respondents

Questions	Frequency	Mean	Std. deviation
Q1EI	180	5.35	1.41
Q2EI	180	5.17	1.44
Q3EI	180	5.24	1.39
Q4EI	180	5.26	1.29
<b>Overall</b>		<b>5.26</b>	<b>1.15</b>

**Source: Survey result, 2013**

The table (4.4) reveals that the mean score of entrepreneurial intention among students is (5.26). This mean score is above midpoint of likert scale which is between slightly agree (5) and agree(6). This implies that most of students have an intention to pursue entrepreneurship in the future. In other word, they have a willingness to pursue entrepreneurship as their career choice in the future.

#### **4.5.1. Students' entrepreneurial intention by Gender**

The entrepreneurial intention of the respondents was compared based on their gender in the table below.

Table 4.5: Students' entrepreneurial intention by gender

Gender	Frequency	Mean	Std. Deviation
Male	118	5.86	0.78
Female	62	4.09	0.79

**Source: Survey result, 2013**

As shown in the above table (4.5), the mean score of entrepreneurial intention of male students is (5.86) and the mean score of entrepreneurial intention of female students is (4.09). This indicates that male students have higher entrepreneurial intention than female counter parts. This means that females are more reluctant to enter into entrepreneurship than male students.

#### **4.5.2. Students' entrepreneurial intention by Family background**

The entrepreneurial intention of respondents is compare based on their Family background in the table below.

Table 4.6: Students' entrepreneurial intention by Family background

Family background	Frequency	Mean	Std. Deviation
Business	109	5.70	0.97
Non business	71	4.58	1.08

**Source: survey result, 2013**

The above table 4.6 exhibited that the mean level of entrepreneurial intention of students from business family background is (5.70) and the mean level of entrepreneurial intention of students from non business family background is (4.58). This shows that the entrepreneurial intention of students from business family background is higher than non business family background students. This means that the students from business are more potentially to become an entrepreneur than non business family background students. This also shows that families influence on students' career choice is relatively

high, and entrepreneurs are more likely to come from family having business background.

#### 4.5.3. Students' entrepreneurial intention by education

The entrepreneurial intention of respondents was compare based on education they had taught

Table 4.7: Students'' entrepreneurial intention by education

Entrepreneurship education	Frequency	Mean	Std. Deviation
Yes	108	5.35	1.17
No	72	5.11	1.11

**Source: Survey result, 2013**

The above table (4.7) exhibited that, the mean score of entrepreneurial intention of students those had taught entrepreneurship education is (5.35) and the mean score of entrepreneurial intention of students those had not taught entrepreneurship education is (5.11). This indicates that the entrepreneurial intention of students those had taught entrepreneurship education is almost equal with those students had not taught entrepreneurship education. This mean that the education influences on students'' career choice is relatively low.

#### 4.6. Testing difference between groups

The independent sample t -test was employed to compare mean score of entrepreneurial intention of two different groups. For this work, the sampled population was grouped based on their Gender, Family background and entrepreneurship education.

H1: There is a significant difference exist in entrepreneurial intention between male and female students.

Table 4.8: Independent t-test based on Gender of the respondents

Gender	N	Mean	Std. Dev	t	Sign(2-tailed)
Male	118	5.87	0.78	14.49	0.000
Female	62	4.09	0.79		

( $P < 0.05$ ) level of significance

**Source: Survey result, 2013**

As it was exhibited in table (4.8) above, the t- value which is (14.49) and corresponding p- value(0.00) is found to be significant at the ( $p < 0.05$ ) level of significance. So that the null hypothesis is fail to reject or accepted. Thus, I conclude that there is existed significant difference in entrepreneurial intention among male and female students. This means that the entrepreneurial potential of the students is different based on their gender difference. This can be easy understood from mean score of entrepreneurial intention based on the gender of the students; the female students have low entrepreneurial intention while male students have high entrepreneurial intention. Therefore, it was expect that most of entrepreneurs will come from male students.

H2: There is significant difference exist in entrepreneurial intention between business family background students and non business family background students.

Table 4.9: Independent t-test based on Family background of the respondents

Family background	N	Mean	Std.Dev	t	Sign(2-tailed)
Business family	109	5.70	0.97	7.26	0.000
Non business family	71	4.58	1.08		

(P<0.05) level of significance

**Source: Survey result, 2013**

As it was exhibited in table (4.9) above, the t- value which is (7.26) and corresponding p-value which is (0.00) is found to be significant at the (p<0.05) level of significance. So that, the null hypothesis is fail to reject or accepted. Thus, I conclude that there is existed a significant difference in entrepreneurial intention among students from business family background and non business family background .This means that the entrepreneurial potential of the students is different based on their family background. This can be easily understood from mean score of entrepreneurial intention based on the family background of the students. The non business family students have low entrepreneurial intention while business family students have high entrepreneurial intention. Therefore, it was expect that most of entrepreneurs will come from students having business family background.

H3: There is significant difference exist in entrepreneurial intention between students those had taught Entrepreneurship education and those had not taught Entrepreneurship education.

Table 4.10: Independent t-test based on education of the respondents

Entrepreneurship education	N	Mean	Std.Dev	t	Sign(2-tailed)
Yes	108	5.35	1.17	-1.35	0.18
No	72	5.11	1.11		

(P<0.05) level of significance

**Source: Survey result, 2013**

As it was exhibited in table (4.10) above, the t- value which is (-1.35) and corresponding p- value is (0.18) is found to be not significant at the (p<0.05) level of significance. So that, null hypothesis is rejected. Thus, I conclude that there is no significant difference in entrepreneurial intention existed among students who had taught entrepreneurship education and who had not taught entrepreneurship education. This means that the entrepreneurial potential of the respondents is not different based on entrepreneurship education they had taught. Therefore, it was expect that there is no such difference in potentiality of entrepreneurship between students based on entrepreneurship education they had taught.

#### **4.7. The mean analysis of Social norm, Perceived Government Policy and perceived access to finance**

Based on the likert scale which is range from (1= strongly disagree to 7= strongly agree), the mean score of the variables was analysed for each variables. This analysis is used to know the view of the respondents towards the variable. Their views were summarized into positive, negative and neutral based on mean scores.

##### **4.7.1. Social norm**

The mean score of each individual questions and the overall mean of all questions were calculated. After that, the view of respondents towards social norm was examined from the overall mean as it was indicated in the table below.

Tables 4.11: mean score of Social norm

Questions	Frequency	Mean	Std.Deviation
Q1sonorm	180	4.19	1.66
Q2sonorm	180	4.07	1.75
Q3sonorm	180	4.23	1.63
Q4sonorm	180	3.94	1.80
<b>Overall</b>		<b>4.11</b>	<b>1.37</b>

**Source: Survey result, 2013**

The above table (4.11) shows that mean score of social norm is above midpoint of likert scale which is (4.11). This implies that the pressure exerted to the students from society is

relatively high. Society exerts pressure to their children to pursue entrepreneurship as their future career choice.

#### 4.7.2. Perceived Government Policy

The mean score of each individual question and the overall mean of all questions were calculated. After that, the view of respondents towards government policy was examined from the overall mean as it was indicated in the table below.

Table 4.12: Mean score of Perceived government policy

Questions	Frequency	Mean	Std.Deviation
Q1Govplc	180	2.72	1.26
Q2Govplc	180	2.76	1.27
Q3Govplc	180	3.31	1.57
Q4Govplc	180	2.73	1.44
<b>Overall</b>		<b>2.88</b>	<b>1.38</b>

**Source: Survey result, 2013**

The above table (4.12) shows that the mean score of perceived government policy is below midpoint of likert scale which is (2.88). This mean that the government policy is not favorable for new business formation as it was perceived by respondents. The perception of students towards government policy regarding to entrepreneurship was found negative.

### 4.7.3. Perceived access to finance

The mean score of each individual question and the overall mean of all questions were calculated. After that, the view of respondents towards access to finance was examined from the overall mean as it was indicated in the table below.

Table 4.13: Mean score of perceived access to finance

Questions	Frequency	Mean	Std.Deviation
Q1Accefine	180	2.01	1.06
Q2Accefine	180	2.38	1.26
Q3Accefine	180	2.53	1.33
Q4Accefine	180	2.80	1.39
<b>Overall</b>		<b>2.43</b>	<b>1.26</b>

**Source: Survey result, 2013**

The above table (4.13) shows that the mean score of perceived access to finance is below midpoint of likert scale which (2.43). i.e It is difficult to access to finance for starting new business as it was perceived by respondents. The perception of students towards access to finance for starting business was found negative.

#### 4.8. Testing relationship among variables

The relationship between Social norm, Perceived government policy and perceived access to finance with entrepreneurial intention was assessed by Pearson correlation.

H4: There is significant positive relationship exist between Social norm and entrepreneurial intention of university students.

Table 4.14: Correlation between Social norm and Entrepreneurial intention

Social Norm		
Entrepreneurial Intention	Pearson correlation	0.283
	Sign(2-tailed)	0.000
	N	180

Correlation is significant at the 0.05 level (2-tailed)

**Source: Survey result, 2013**

The result of the correlation in table (4.14) shows that the relationship between social norm and entrepreneurial intention is positive ( $r = 0.283$ ). At the correlation ( $r = 0.283$ ) and the corresponding P value ( $p = 0.000$ ) which less than ( $P < 0.05$ ) level of significance. Therefore, there is significant positive relationship exist between social norm and entrepreneurial intention at the ( $P < 0.05$ ) level of significance. So that, null hypothesis is fail to reject or accepted. This means that there is enough evidence to conclude that pressure exerted from the society determine the entrepreneurial intention among university students in Addis Ababa.

H5: There is significant positive relationship exist between Perceived Government policy and entrepreneurial intention of the university students.

Table 4.15: Correlation Percieved Government Policy and Entrepreneurial intention

Perceived Government policy		
Entrepreneurial Intention	Pearson correlation	0.010
	Sign(2-tailed	0.889
	N	180

Correlation is significant at the 0.05 level (2-tailed)

**Source: Survey result, 2013**

As shown in the table of correlation above (4.15), the correlation between perceived government policy and entrepreneurial intention is positive which is ( $r= 0.010$ ). It is very weak relationship which approached to zero. The p value is ( $p=0.889$ ) which is definitely greater than ( $p<0.05$ ) acceptable level of significance. So that, there is no significant positive relationship exist between perceived government policy and entrepreneurial intention at ( $p<0.05$ ) significance level. This means that there is no enough evidence to conclude that perceived government policy determine entrepreneurial intention among university students in Addis Ababa.

H6: There is significant positive relationship exist between perceived Access to finance and entrepreneurial intention of the university students.

Perceived Access to Finance		
Entrepreneurial Intention	Pearson correlation	-0.078
	Sign(2-tailed)	0.298
	N	180

Correlation is significant at the 0.05 level (2-tailed)

**Source: Survey result, 2013**

As shown in the table of correlation above (4.16), the correlation between perceived access to finance and entrepreneurial intention is negative which is ( $r=-0.078$ ). This is a very weak relationship which is approached to zero. The p value which is ( $p=0.298$ ) 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. This means that there is no enough evidence to conclude that perceived access to finance determine entrepreneurial intention among university students in Addis Ababa.

#### **4.9. Entrepreneurial index of the respondents**

Entrepreneurial index is an indication of entrepreneurial activities which is the product of entrepreneurial intention. The index indicates the seriousness of intention, and action undertaken by someone to change his/her intention into reality. Entrepreneurial intention is an important indicator to know whether someone is potentially entrepreneur or not, and Entrepreneurial index helps to know whether the intention of an individual is serious and action oriented. Thus, it is important to know the entrepreneurial index of university students to know whether their intention is serious and action oriented. Therefore, entrepreneurial index was calculated based on seriousness of intention to start business and the action that was under taken to bring intention to reality. Accordingly, the entrepreneurial index of the students was calculated as follows.

Table 4.19: Entrepreneurial index of the students

Index Value	Frequency	Total Value
2	35	70
4	44	176
6	35	210
8	5	40
10	6	60
11	4	44
12	10	120
14	1	14
15	5	75
17	10	170
18	7	126
19	4	76
21	5	105
22	2	44
23	4	92
35	3	105
Total	180	145
Mean/ Index of respondents = $145/180= 8.06$		
Mean/ index of global business students =12.80		

**Source: Survey result, 2013**

As it was exhibited in the table (4.19) above, the global average of entrepreneurial index of business students is (12.80) as of 2011 GUESSS report, and the calculated value of respondents' entrepreneurial index is (8.06). This shows that the entrepreneurial index of respondents is below the global average. This indicates that the change of students' entrepreneurial intention into entrepreneurship is lesser than global average. In other word, the intention of respondents is less serious and less action oriented when compared to global average.

## **CHAPTER FIVE: CONCLUSION AND RECOMMENDATION**

### **5.1. Conclusion**

This study tried to investigate the entrepreneurial intention and its determinants among university students in Addis Ababa. From the total respondents , 66% are male and 34% are female , 61% are from business family background and 39% are from non business family background , 60% were took entrepreneurship course and 40% were not took entrepreneurship course.

The study has six main independent variables and one dependent variable. Namely; - Gender, Family background, entrepreneurship education, Social norm, perceived government policy and perceived access to finance and entrepreneurial intention respectively.

Based on the finding of frequency analysis, majority of the respondents prefer to pursue entrepreneurship right after graduation; which is 52 % of total respondents and 38% of respondents prefer organizational employment. The respondents prefer entrepreneurship over organizational employment for its perceived independence, income, recognition, and job satisfaction.

Based on the finding of mean score of the variables, the mean score of entrepreneurial intention is above midpoint of likert scale. This means that most respondents have a willingness to pursue entrepreneurship as their career choice. The mean score of social norm is above midpoint of likert scale. This means that society exerts pressure to students to pursue entrepreneurship as their career choice. The mean score of Perceived government policy is below midpoint point of likert scale. This means that the

government policy is not favorable for new business formation as it was perceived by respondents.

The mean score of Perceived access to finance is below mid point of likert scale. This mean that there is a problem of financial accessibility for starting new business as it was perceived by respondents.

This research investigates the difference between groups and relationship among variables. The difference between groups was examined based on three variables, namely; Gender, Family background, entrepreneurship education. The significant difference in entrepreneurial intention was found between male and female students. Accordingly, male students have higher entrepreneurial intention than female counterparts which is consistent with previous research conducted by (Phan, Wong and Wang; 2002, Voley, Doss and Thein, 1999, Brush; 1992, Gupta et al; 2008, Fay and William; 1993).

The significant difference in entrepreneurial intention was found between students from business family background and non business family background. The finding indicates that students from business family background have higher entrepreneurial intention than non business family background which is consistent with previous research conducted by (Davidsson; 1995, Hisrich; 2000; Crant et al 1996). This means that Students whose families“ have business background is more likely to start a business in the future compared to those whose family had no business background.

The finding indicates that there is no significant difference in entrepreneurial intention between students those had took entrepreneurship education and those had not took entrepreneurship education which is inconsistent with previous research conducted by (Frankeluthje, 2002, Dyer, 1994, Brezeal, 1994, clayton 1989, Fleming 1996, Redfort and Trigo , 2007, Gorman et.al 1997)

The relationship among variables was examined based on three variables, namely; Social norm, Perceived government policy and Perceived access to finance. The finding of the study illustrate that there is significant positive relationship between social norm and entrepreneurial intention which is consistent with studies conducted by (Wilson, Kickul and Marlino; 2007, Ajzen, 1991)

The finding of the study illustrate that there is no significant positive relationship between perceived government policy and entrepreneurial intention which is inconsistent with studies conducted by(Kurlius, 2000, Chell and allman,2003, Busenitz et al, 2000, Nguyen et al , 2008 and Klapper, 2004)

The finding of the study show that there is no significant positive relationship between perceived access to finance and entrepreneurial intention which is inconsistent with studies conducted by (Flemming, 1996, Grilo and Thurik ,2005, Greene, 2005)

The finding of the study illustrate that the entrepreneurial index of respondents is lower than international entrepreneurial index of university students. This implies that the intention of the respondents is less serious and less action orientated than global average.

## 5.2. Recommendation

Based on the finding of the study, the following recommendations are forwarded.

- The significant difference in entrepreneurial intention was found between male and female students. Female students have lower entrepreneurial intention than male students. Therefore, Specific intervention program such as entrepreneurship training should be given to improve entrepreneurial intention among female students.
- The significant difference in entrepreneurial intention was found between students of business family background and non business family background. Non business family background students have lower entrepreneurial intention than business family background students. Therefore, Specific intervention program such as seminars and experience sharing program should be done to improve entrepreneurial intention among non business family students.
- The significant difference in entrepreneurial intention was not found between students those attended entrepreneurship course and those did not attend entrepreneurship course. The entrepreneurship education did not make significant difference among students. So that, university should re - assess entrepreneurship course in terms of its content, teaching methods etc , and design effective course that can make significant contribution to entrepreneurial intention of students.
- This study was found that there is positive and significant relationship exists between social norm and entrepreneurial intention. Therefore, the entrepreneurship club should be established as centre of experience sharing between students and society at large.

- This study was found that, there is no significant positive relationship exists between perceived government policy and entrepreneurial intention. Even though, significant positive relationship was not found between perceived government policy and entrepreneurial intention, the students' perception towards government policy with respect to new business formation was found negative. Therefore, work should be done to change this negative perception of students.
- This study was found that, there is no significant positive relationship exists between perceived access to finance and entrepreneurial intention. Even though, significant positive relationship was not found between perceived access to finance and entrepreneurial intention, the students' perception towards access to finance for starting new business was found negative. Therefore, work should be done to change this negative perception.
- It was found that, the entrepreneurial index of students is below global average. So that, the intervention is needed to improve the entrepreneurial intention of students, and to make intention more seriousness and action oriented, and furthermore, Ethiopia should be the member of GUESSS to continuously obtain information on entrepreneurial intention of university students in Ethiopia.
- Policy makers should develop various programs that might build positive image of entrepreneurship in the society.
- Educators should work on career advisor service to promote entrepreneurship as career choice of students.

### **5.3. Recommendations for further study**

This research focused on final year undergraduate students of business and economics in Addis Ababa. I would suggest those interested in this area; to include sample of other universities to makes better generalization. For interested researchers, I would recommend to include other variables those may determine entrepreneurial intention of university students, and I also recommend comparative study between business students and non business students, undergraduate and post graduate students, freshman students and final year students.

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## APPENDIX I

### Questionnaire

Dear Respondents

This questionnaire is designed to gather data on student's "Entrepreneurial Intention and Its Determinants" to fulfill partial requirement of Master in Business Administration (MBA) degree. I would like to assure to the respondents that all responses will be kept in absolute confidentiality. The study is intended to provide information about latent entrepreneurs. Therefore, your genuine responses will contribute to the quality of the findings of the study. I do appreciate your valuable contribution for the study.

Please, put a tick [✓] mark in the space provided or fill according to the specific instructions given.

#### 1. Personal details

Marital status	Gender	University	Program of the study		
Married	Male				
Single	Female				
Previous business experience	Yes	No	Did you take any entrepreneurship course?	Yes	No

2. Family background

Statement	Yes, my mother	Yes, my Father	Yes, both of my parents	No
Are your parents ever having business background?				

3. Indicate your career choice right after study.

Employee	
Founder/Self-employed	
Successor/continue my family business	
No plans	

4. Compare Entrepreneurship with organizational employment based on the following items by putting a tick mark [✓]

Items	Entrepreneurship	Organizational employment
Independence		
Income/compensation		
Risk		
Job security		
Pride/Recognition		
Work load		
Job satisfaction		

- Fill question number five to eight based on value of likert scale below.

1= strongly disagree. 2= Disagree.3= Slightly Disagree. 4= Neutral. 5=slightly agree .6=Agree.7= strongly agree

### 5. Entrepreneurial intention

Statements	1	2	3	4	5	6	7
1. I will choose a career as an entrepreneur/self employed.							
2. I prefer to be self employed/entrepreneur rather than to be an employee in an organization							
3. I have a strong intention to start a firm one day							
4. I will make every effort to start my own business.							

### 6. Social norm

Statement	1	2	3	4	5	6	7
1. I believe that my closest family members think that I should pursue a career as a entrepreneur							
2. I believe that my closest friends think that I should pursue a career as a entrepreneur							
3. I believe that people, who are important to me, think that I should pursue a career as a entrepreneur							
4. Entrepreneurs have a positive image with Ethiopian society							

### 7. Perceived access to Finance.

Statement	1	2	3	4	5	6	7
1. It is easy to obtain startup capital in Ethiopia							
2. Banks in Ethiopia are ready to give credit for new business							
3. It is easy to start one's own business due to the availability of financial resources.							
4. Financial institutions are ready to give required finance to start business.							

### 8. Perceived Government policy

Statement	1	2	3	4	5	6	7
1. There are sufficient subsidies available for new business in Ethiopia							
2. The procedures for establishing a new company are clear							
3. Government policy, rule and regulations are favorable to start a company							
4. It is easy to start one's own business due to the simplicity of the administrative procedure							

## 9. Entrepreneurial index

1. Have you any thought to establish your own Company? Select only one of the following options by putting a tick mark [✓]

Never	
Sketchily	
Repeatedly	
Relatively concrete	
I have made an explicit decision to found a company	
I have a concrete time plan when to do the different steps for founding.	
I have already started with realization.	
I am already self employed in my own founded firm	
I have already more than one company, and I am active at least in one of them	

2. Indicate the steps you have taken to establish your own company. You can select multiple answers for these questions by putting a tick mark [✓]

Nothing done so far	
Thinking of first business idea	
Formulated business plan	
Identified market opportunity	
Looked for potential partners	
Purchased equipment	
Worked on product development	
Discussed with potential customers	
Asked financial institutions for funding	
Decide on date of establishment	

If you have any additional comments on entrepreneurship, you are most welcome.

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**Once again, thank you very much for your valuable time.**

## APPENDIX II

### Entrepreneurial index Calculation procedure

#### *1. Founding intention*

Questions	Weight
Never	1
Sketchily	1
Repeatedly	3
Relatively concrete	3
I have made an explicit decision to found a company	5
I have a concrete time plan when to do the different steps for founding.	7
I have already started with realization.	7
I am already self employed in my own founded firm	8
I have already more than one company, and I am active at least in one of them	10

**Source: GUESSS report on Global entrepreneurship index (2011)**

## ***2. Founding steps undertaken***

Questions	Weight
Nothing done so far	1
Thinking of first business idea	3
Formulated business plan	5
Identified market opportunity	5
Looked for potential partners	5
Purchased equipment	7
Worked on product development	7
Discussed with potential customers	7
Asked financial institutions for funding	8
Decide on date of establishment	10

**Source: GUESSS report of Global entrepreneurship index (2011)**

The index is calculated based on these questions; For instance; the index of the respondent who has indicated “Sketchily” for founding intention and has “nothing done for” as founding steps is (2) which is (1+1). In the same the way the index of each individual respondent is calculated and the mean of this index is also calculated.