



## **An Empirical Study on the Factors Affecting Entrepreneurial Intention of Management and Arts Undergraduates: with Reference to USJ**

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### **ABSTRACT**

As a developing country, Sri Lanka is currently facing several economic challenges, and it is necessary to decode how this positioning can be improved. Out of the various efforts that are available, enriching the number of entrepreneurs has been one such strategy that is proven to boost the economy. Sri Lanka still records low entrepreneurship rates in comparison to developing countries. This paves the way for the need to understand the entrepreneurship intention of youth. Therefore, this study was conducted with students of two faculties to identify the latent factors that affect entrepreneurship intention among undergraduates and to recognize if there are any significant statistical differences on the perceptions of students between the two faculties. The sampling method was stratified random sampling and the sample size was 106. Data collection was conducted through a self-administered questionnaire. Using factor analysis it was identified 8 factors that affect entrepreneurial intention of the undergraduates in Sri Lanka. Of them, five proved to be controllable factors (aspiration, entrepreneur characteristics, awareness, readiness financial knowledge) by the students suggesting that actions can be demonstrated in enriching students' motivation and consideration towards entrepreneurship. The remaining three factors (education received, financial ability, family influence) show that external factors such as parents, investors and educational institutions can influence students towards choosing a career path of entrepreneurship. The findings of this study can be used in structuring the youth mindset to enhance entrepreneurial intention among them.

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## INTRODUCTION

In a day and age with increasing technology and information on hands for youth, entrepreneurship is becoming less daunting. The Global Entrepreneurship Index rankings for 2018 show the United States at top of the list with Switzerland recording the second highest. Sri Lanka is ranked 90 out of 137 countries (Global Entrepreneurship Index, 2018).

Along with generating businesses, entrepreneurs can accelerate economic growth, add value to national income, develop and improve existing systems as well as bring about social development. With the gamut of such benefits it offers, entrepreneurship is still shunned due to a number of causes such as inevitable risk, limited resources, lack of exposure, personal choices or mindset. Hence, there remains considerable space for its unpopularity.

Looking at the situation specifically in Sri Lanka, Bandara (2019) states that comparing to Bangladesh (11.6%), Vietnam (19.6%) and Thailand (27.5%); only 2.8% of the total working population is recognized as a business owner or hold authority as an employer. A subset of this number would include youth who are willing to be identified as entrepreneurs explicitly generating a difference between the desired and existing number of entrepreneurs. By comprehending the values that can be brought into the country and its economy through the improvement of entrepreneur businesses, it is evident these low numbers should be improved. In understanding the context of Sri Lanka, Sirisena (2015) identified that three components: cultural influences, youth attitudes and education determine the lower numbers of youth engaging in entrepreneurship in the country.

Therefore, in order to investigate the perception of youth, this study was designed to explore undergraduates' intention on entrepreneurship.

With the intention of shedding light on developing this field in the country in future, the main objective of the study was to understand what main factors affect the Management and Arts undergraduates in University of Sri Jayewardenepura (USJ) in wanting to become an entrepreneur. By recognizing this, those in a position to influence students in enhancing their entrepreneurial intention can utilize resources to enrich the identified factors. In addition, focus was also brought upon any differences that may be demonstrated by the faculties that were used in this study. Based on the scope of this study, other literature available illustrated the need in advancing the entrepreneurial landscape in society.

## Literature Review

Several studies have been conducted in this discipline of entrepreneurship and university students around the globe. One study conducted in Ghana suggested that a student's personal attributes such as task taking and risk performance attitudes, positively contributed towards entrepreneurial intention while other demographic factors such as age, gender and academic background had no impact (Asamani and Mensah, 2013). However, contrary to this finding; Keat, Selvaraja & Meyer (2011) revealed that gender and working experience significantly affected the youth inclination towards entrepreneurship. They also identified that the university's stance in promoting entrepreneurship and the education provided on it also impacted the students

of the Malaysian university in which this study was conducted.

With regards to entrepreneurship education and intention, many studies worldwide confirmed that education within this field has a direct impact or enhances entrepreneurial intention (Patricia & Silangen, 2016; Moses et al., 2016,). These studies point out that education of this nature is an important factor in shaping the intention of growing into an entrepreneur.

While some studies have been conducted with students of multi-academic backgrounds, an Indonesian study by Mahendra et al., (2017) with students from the management discipline revealed that entrepreneurship education indirectly affects the intention, with entrepreneurial motivation and attitudes being mediators.

The studies conducted in Sri Lanka paint a picture as follows. Jayarathna et al., (2011) identified that intention of undergraduates for other employment opportunities was higher than their intention towards entrepreneurship. They employed a regression analysis to conclude that social, economic, psychological, political and legal factors contribute towards the intention of becoming an entrepreneur. Following a similar analysis structure, Wickramasinghe et al., (2017) and Kumara (2012) applied correlation analysis to understand entrepreneurial intention of undergraduates. While the former study which proceeded with a regression analysis concluded that fear of failing, availability of business network and support from family as significant determinants on entrepreneurial intention; the latter concluded that entrepreneurial belief and attitude towards self-employment had positive

associations with entrepreneurial intentions.

The study conducted by Madhavika (2019) also followed a correlation and regression analysis to reveal that proactive personality and perceived support significantly influence entrepreneurial intentions. Conversely, it was identified that risk taking ability and educational back up do not significantly influence the intent for entrepreneurship.

According the sourced literature, it can be identified that this area of interest shares various outcomes which are in some instances controversial based on various factors. Besides this, even though literature is available in this regard, adequate statistical analysis has not been applied in disseminating the reinforced data. Thus, as mentioned, this highlights the importance of and compels one into conducting an empirical study for understanding the true responses of the undergraduates in Sri Lanka. Thus, with an understanding of the available literature in this regard, the author orchestrated the study to identify what factors would impact the young persons in their intent to grow as entrepreneurs in future in Sri Lanka.

## **MATERIALS AND METHODS**

The study under consideration focused on understanding the undergraduates' intention of growing with entrepreneurship skills and attitudes. Undergraduates are in a position of readying themselves for the future while preparing with sufficient knowledge that would be needed for the employment sphere. This study was conducted with students from the USJ with students from both the Faculty of Management and Commerce and the Faculty of Humanities and Social Sciences.

These faculties were selected to understand the differences that resulted in entrepreneurship intention of undergraduates. Faculty of Management which enriches students with knowledge of management and handling business (as based on the available literature), is taken for the purpose of comparison against Faculty of Humanities and Social Sciences which supposedly continued to record high unemployment rates (National Audit Report, 2019) among its graduates.

Thus, from a total sample of 106 students who were selected using random sampling methodology, 52 were representatives of the Faculty of Humanities and Social Sciences while the remaining 54 students were from the Faculty of Management and Commerce. The study considered an approximately equal number of students who were employed for the purpose of comparison. However, it was ensured according to the research design that, students were from only within the 3<sup>rd</sup> and 4<sup>th</sup> academic years as they would be graduates in the nearest future.

The study took a quantitative approach by setting the core of the research on primary data and analysis whilst secondary data too was utilized in serving as a directive for the approach. Primary data collection resulted in a self-administered questionnaire that was collected by the researcher. Following the procedure of data collection, statistical analytical methods were employed so as to draw out conclusions. Prior to employing multivariate analysis techniques, a descriptive study analysis was also carried out for the purpose of understanding the make-up of the sample. Moreover, the t test was applied in assessing if there are any statistical differences between the students of each faculty.

A factor analysis centered on principal components analysis (PCA) was applied

on the collected data in order to compute any latent factors that affect entrepreneurship intention of undergraduate students. The model used for this analysis is as follows:

$$X_i = \mu_i + \alpha_{i1} F_1 + \alpha_{i2} F_2 + \dots + \alpha_{im} F_m + \varepsilon_i$$

where  $X$  is the random vector with mean  $\mu$  and covariance matrix. Further,  $F_1, F_2, \dots, F_m$  are the unobserved variables with  $\alpha_{i1}, \alpha_{i2}, \dots, \alpha_{im}$  being the factor loading coefficients.

The covariance matrix was selected as the variables were measured on a similar scale and varimax rotation was applied to maximize the sum of squared loading variances. Prior to multivariate analysis, reliability and validity of data were confirmed ensuring quality data used for analysis.

## RESULTS AND DISCUSSION

### Descriptive analysis

According to the results of the study under consideration, an approximately equal 49% and 51% made up the sample of students from the faculty of arts and the management faculty. Of them, majority were from a family income of Rs. 15,000 – Rs. 49,999 (33%) and Rs. 50,000 – Rs. 99,999 (35%), followed by 28% above Rs. 100,000. Of the sample, only 8% claimed to have been employed before entering university.

Only 79% mentioned of having awareness on entrepreneurship prior to entering university. The highest positive influence is received from the family (51%) followed by friends (24%) and the university (16%). Furthermore, of those who were disinterested in entrepreneurship opportunities, 44% followed by 42% feel they do not look towards entrepreneurship opportunities because of lack of financial support and the expectation of performing one job. The

remaining 14% feel they do not have sufficient awareness about it.

### Bi-variate analysis

Data collected using a Likert scale to measure the dimensions of the variables based on a structured questionnaire was employed in this section. The independent t test was performed on the variables after indexes were formed using the principal components analysis.

**Table 1.** Independent t test against faculties

	t value	p value
Entrepreneurship	-0.370	0.712
Family background	-0.506	0.614
Social media	-3.401	0.001
Personality traits	0.481	0.632
Entrepreneurship education	-2.257	0.027
Business environment	1.253	0.213
Financial strengths	-1.448	0.151
Future interest	-0.407	0.685

According to the data shown in Table 1, the usage of social media for entrepreneurship ( $p = 0.00$ ) and entrepreneurship education ( $p = 0.03$ ) alone show a significant statistical difference between the two faculties at a 5% level of significance. Both variables had higher scores from the management faculty. This reveals that, apart from the mentioned two variables, there is no significant statistical differences between the two faculties.

### Multivariate analysis

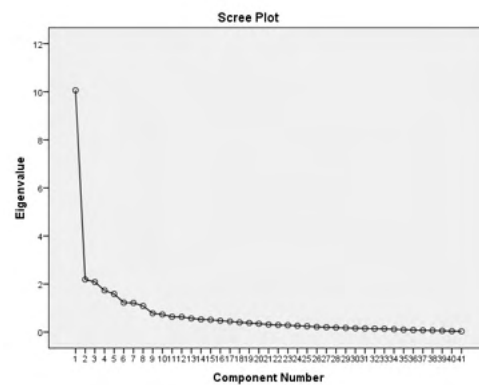
In order to employ the dataset for further analysis, the Cronbach's Alpha value was determined as 0.947 ensuring the questionnaire to be reliable for conducting further analysis. Additionally, the calculated Kaiser-Meyer-Olkin Measure of Sampling Adequacy appeared to be  $KMO = 0.792$  while the Bartlett's Test of Sphericity ( $\chi^2 = 2822, p = 0.000$ ) proved to be significant thereby concluding with

95% confidence that the observed correlation matrix is significantly different from the identity matrix assuring the validity of the data for further analysis.

The initial eigen values claim to have 8 components with values higher than one explaining 70% of the variance. Determinant value of 3.31 shows there is very low multicollinearity within the data assuring that the data can be used for further analysis. The correlation matrix output provided the correlation between variables with high coefficients within variables related to future expectations and goals on becoming an entrepreneur. This was followed by variables relating to personality traits.

As the data suggested, 8 factors were identified that impact the intention of students. This was confirmed by the scree plot shown in Figure 1.

**Figure 1.** Scree plot for identified factors



Based on the rotated component matrix, similar variables were clubbed together to create factors which were identified by the author. A total of 41 variables were reduced to 8 factors through the analysis. Accordingly, the latent factors were identified as follows. Since varimax rotation was applied it can be confirmed that the factors are orthogonal and unrelated to each other.

1. Aspiration
2. Entrepreneur characteristics
3. Awareness
4. Education received
5. Readiness
6. Financial ability
7. Financial knowledge
8. Family influence

## CONCLUSIONS AND RECOMMENDATIONS

### Conclusions

The analysis applied through the collected data provided an understanding of the entrepreneurial intention of undergraduates of the afore mentioned faculties. Moreover, it is clear that lack of financial support remains a vital reason for students to navigate away from startups, while lack of awareness is relatively low. Only two variables proved to have a distinct difference between the faculties – where usage of social media and entrepreneurship education were observed stronger in the Management Faculty.

Multivariate analysis proved to be valuable in decoding the underlying factors that affect entrepreneurial intention of students. According to the factor analysis, the factors that affect entrepreneurial intention are as follows: how the student aspires to have a career path as an entrepreneur, the entrepreneurial characteristics such as risk taking, finding new things, high self-confidence etc., the level of awareness in knowing what entrepreneurship is all about, the learning on entrepreneurship received by the student, how ready the student is to take on a new business, the availability of finance as an investment for the startup, the understanding of financial opportunities and threats and finally, the support and influence given by family. Thus, it can be confirmed that undergraduate students' intentions are

affected by these latent factors with regards to the Sri Lankan context.

### Recommendations

As the analysis suggested, the factors that affect the intention should be sought after so that it may be improvised for future students which will enrich the entrepreneurial scope in Sri Lanka. It was identified through this study that, there are many personal, family and university related factors impacting the intention. Therefore, it is concluded that collective effort needs to be made by the society in lifting the entrepreneurial space open for new ventures to bloom. However, emphasis is given to the findings of this study that indicated that most factors affecting intention are controllable factors of the students. Of the 8 factors that have been identified, a simple classification of the factors into controllable and uncontrollable factors shows that five of the factors are controllable by the students themselves. These five factors are: aspiration, entrepreneurial characteristics, awareness, readiness and financial knowledge.

Hence, special focus delivering these factors to instill them in students will enable students to be motivated and consider the option of growing to be entrepreneurs. It is strongly suggested that further analysis be conducted in dissecting the identified factors further, so that actionable procedures can be implemented for the improvement of entrepreneurship intention among undergraduate students for a flourishing economy in the country.

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