

CHAPTER II REVIEW OF LITERATURE

2.1 INTRODUCTION

This chapter includes the various studies and researches undertaken by individuals and institutions over the period of last few decades. These studies process and results have helped the researcher in identifying the research gaps and instrument development for the study.

Review of Literature is undertaken to find:

1. Present state of research with respect to factors that influences the entrepreneurial intention among the students;
2. To understand the research gaps ;
3. To explore measurement of relationship between the demographic, personal and environmental factors on entrepreneurial intention.

2.2 ENTREPRENEURIAL RESEARCH

In the early 80's the entrepreneurial research, which focused on personal characteristics of the entrepreneur, the 'trait line' of research began to lose ground when more studies appeared showing no correlation between personal traits such as need for achievement and entrepreneurial behavior. Cognitive self-regulation was found to be a more reasonable basis for explaining entrepreneurial behavior and approaches building on cognitive aspects and reasoned action began to emerge in the field of entrepreneurial research.

In the psychological literature, intentions have proven to be the best predictor of planned behavior, particularly when that behavior is rare, hard to

observe, or involves unpredictable time lags. New businesses emerge over time and involve considerable planning. Thus, entrepreneurship is exactly the type of planned behavior, for which intention models are ideally suited has been proved by the works of Bird, B., (1988), Katz, J. (1992) and Gartner, W.B. (2004). Intention models have proved useful in understanding business venture formation intentions; they offer a coherent, parsimonious, highly-generalized and robust theoretical framework for understanding and prediction. Intention models offer a significant opportunity to increase the ability to understand and predict entrepreneurial activity.

2.3 THEORY OF PLANNED BEHAVIOR RESEARCH

Entrepreneurial intention has proven to be a primary predictor of future entrepreneurial behavior by many researchers as is evident from the works of Katz, J. (1992), Reynolds, P.D. (1995), Krueger, N.F., Reilly, M.D. and Carsrud, A.L., (2000). Therefore, investigating the influence of factors on the entrepreneurial intent is a crucial issue in entrepreneurship research. The result of Autio's (1997) study says that the greater the feeling of behavioral control the stronger will be the intention to perform the behavior. As entrepreneurship is a planned behavior; the theory of planned behavior forms the basis for the study of entrepreneurial intention.

The theory of planned behavior of Ajzen, I.,(1991), has been successfully applied in predicting intentions to perform behaviors. The theory predicts intentions from attitudes toward the behavior, subjective norms, and perceived behavioral control. These intentions, together with perceptions of behavioral Control account for considerable variance in the actual behavior. The theory builds on cognitive self-regulation as an important aspect of human behavior. The theory of planned behavior has in many respects replaced the entrepreneurial trait approach, which has indicated low empirical relations with behavior in specific situations.

The focus of the theory is on the individual's intentions to perform a given behavior. A prerequisite for this is that the behavior in question is under

individual's volitional control. These factors represent people's actual control over the behavior. Of greater psychological interest than actual control, however, are the perceived behavioral control and its impact on intentions and actions.

The Theory of planned behavior has been used with success both in research and in practical settings. Intentions have shown to explain 30 percent of the variance in behavior; better explanatory power than trait measures which typically were able to explain about 10 percent of the variance. The research results of several researchers have proved that intentions studies are better predictor than its predecessor personal traits study. Entrepreneurial Event of Shapero, A., and Sokol, L., (1982), proposed that entrepreneurial intentions emanate from perceptions of feasibility, desirability and the propensity to act on opportunities.

In order to predict intentions, theory of planned behavior introduced three conceptually independent determinants of intention: attitude toward the behavior, subjective norm and perceived behavioral control. Perceived behavior control refers to the perceived ease or difficulty of performing the behavior and it is assumed to reflect past experience as well as anticipated impediments and obstacles. Subjective norm refers to perceived social pressure to perform or not to perform the behavior.

The third antecedent of intention perceived behavioral control deals with the presence or absence of requisite resources and opportunities. The more resources and opportunities individuals believe they possess, and the fewer obstacles or impediments they anticipate, the greater should be their perceived control over the behavior.

Another cultural specific study by Kolvereid, L., (1996) concerning employment status choices among Norwegian undergraduate students, where Ajzen, I.,(1991), theory in 1991 was applied. He studied employment status choice of Norwegian students, defined as the intention to enter an occupation as a wage or salaried individual or as a self-employed one. In his Study the theory of planned behavior predicted reliably the employment status choices.

Wei Li in 2007 using survey and interviews, conducted a study at a top university located in the Midwest, United States. The population included Chinese and Indian students. Statistical analysis proved that the theory of planned behavior can be applied to study entrepreneurial intention among Chinese and Indian students. The survey data from 361 students show that almost one out of six Chinese or Indian students have strong entrepreneurial intention.

The Theory of Planned Behavior, a study on psychosocial predictors of intentions to engage in change supportive behaviors in an organizational context utilized, subjective norms and perceived the theory of planned behavior to understand employee change readiness. It used factors like attitude, subjective norm and perceived behavioral control. The results of the study indicated that factors like attitude, subjective norm have significant impact on the employee's intention with regard to change. The hierarchical regression measure was used to do the analysis. And 60% of variance in employee intention was accounted by attitude, subjective norm factors.

This theory and the various studies mentioned above helped the researcher to undertake this study and include the main three factors mentioned by Ajzen in the research study of entrepreneurial intention among the students in Chennai city.

Another approach to entrepreneurial intentions was initiated by Shapero, A., and Sokol, L., (1982), and they introduced the concept of the entrepreneurial event, which they defined as having the following characteristics: initiative taking an individual or group takes the initiative, consolidation of resources an organization is formed or restructured to accomplish some objective, management of the organization by those who took the initiative, relative autonomy Resources are disposed of and distributed with relative freedom, risk taking decides the organization's success or failure is shared by the initiators.

In this concept they wanted to make a distinction between the entrepreneurial event and the entrepreneur, and to focus on the phenomenon of

entrepreneurial event apart from the individuals behind it. They also suggested a paradigm explaining how group membership and social as well as cultural environment affect the entrepreneurial event. Perceptions of desirability and feasibility are products of cultural and social environments and are argued to make an individual to determine which actions will be seriously considered and subsequently taken.

The entrepreneurial event was developed further by several researchers. One that received attention was that by Bird, B., (1988), wanted to differentiate entrepreneurship from strategic management and in doing so she presented a framework where intentions of an entrepreneur are main drivers, which shape the form and direction of an organization at its inception. Intentions have an impact on action and are preceded by both rational and intuitive thinking. Rational thinking involves formal business plans, opportunity analysis, resource acquisition, goal setting, and most observable goal-directed behavior. Intuitive thinking is mostly inspired by vision, hunch, an expanded view of untapped resources, and a feeling of the potential of the enterprise.

When introducing the model of entrepreneurial intentions Bird argued that entrepreneurship refers to the intentional creation or transformation of an organization for the purpose of creating or adding value through organization of resources. She also stated that no entrepreneurs begin or buy an existing business by accident or because someone tells them to – they choose this career alternative.

The above mentioned theory and the further study results and arguments confirm the fact that Intentions are the strong predictors of the behavior. The study of factors affecting intention which influences the behavior will throw ample light on the factors which influences the entrepreneurial intention.

2.4 ATTITUDE AND ENTREPRENEURIAL INTENTION

According to the works of Kim, M.S., and Hunter, J.E., (1993), Attitudes variables have been able to explain up to 50 percent of the variance in intentions.

In particular, there are three fundamental attitudinal antecedents of intent: personal attitude toward outcomes of the behavior, perceived social norm, and perceived behavioral control (self-efficacy). They have proven to account for a large part of the variance in intentions as proved by the research studies of Ajzen, I., and Fishbein, M.,(1977)..

In general, attitudes can be defined as “a learned predisposition to respond in a consistently favorable or unfavorable manner with respect to a given object”. They are relatively less stable than personality traits and can be changed both across time and across situations in virtue of the individual’s interaction with the environment as evident from the work of Robinson, P., and Nouwens ,F.,(1991). Therefore, entrepreneurial attitudes may be influenced by educators and practitioners.

In a survey of students of technical disciplines at the Massachusetts Institute of Technology, by Lüthje and Franke in 2003, examined the impact of personal dispositions and of perceived environmental conditions for founding a new venture on entrepreneurial intent. They reveal that the attitude toward entrepreneurship is the most important determinant of entrepreneurial intention.

This study helped the researcher to confirm the type of statistical tools to be used for analysis to get the appropriate and the best results. The factors, demographic, as well as the environmental variables were used in the study by the researcher as well in the study.

Douglas, E.J. and Shepherd, D.A. (2000), investigated the relationship between the intention to start one’s own business and individual’s attitudes toward income, independence, risk, and work effort. Results of his empirical study suggest that individuals with a more positive attitude toward independence autonomy and risk are characterized by a higher willingness to become entrepreneurs. However, people’s attitudes to work efforts correlate negatively with the intent to be self-employed. He also found no significant difference with regard to the attitude toward income money.

All the above mentioned studies were dominantly used to study the effect of attitude on the intention and there by the behavior. The results of the study confirms that across the countries attitude remains a dominant variable influencing the intention of the individual.

2.5 DESIRABILITY AND FEASIBILITY

Boyd, N.G. & G.S. Vozikis (1994), used two different dimensions to define entrepreneurial experience: breadth and positiveness. The study, which was conducted using 126 university students graduating in near future as the sample, reported that the prior exposure's breadth was positively associated with perceived feasibility and positiveness of it with perceived desirability. In addition to this the results clearly confirmed the correlation of perceived feasibility, perceived desirability and propensity to act with.

In a study by Guerrero, M., Rialp, J., and Ubano,D.,(2008), the research is focused on analyzing the relationship between desirability and feasibility on university student's intentions to create a new firm in Catalonia. A structural equation model supported by Krueger & Brazeal's Model was tested with different groups of students. The main results reveal most of university students consider desirable to create a new firm, although the perception of feasibility is not positive. Also, there is a statistical significant and positively relationship between credibility and the intention to create a new firm.

The researcher has also used the structure equation model to test the influence of the factors on the intention.

Lee, L., Wong, P.K., and Foo, M.P., and Leung, A.,(2009), in their work Entrepreneurial intentions: The influence of organizational and individual factors. The presence of technology-based firms has long been associated with a nation's economic growth and prosperity. Many of these firms emerge when IT professionals leave their organizations to start businesses. The paper examined why IT professionals intend to leave their jobs to start business

ventures. Understanding of the factors influencing entrepreneurial intentions is, thus, a central component of studying the new venture creation process.

Specifically, they examined how individual - and organizational-level factors such as individual innovation orientation, organizational innovative climate and technical excellence incentives interact to affect the level of job satisfaction experienced by IT professionals, which in turn, impacts entrepreneurial intentions. The strength of the relationship between the level of job satisfaction and entrepreneurial intentions, however, can be moderated by the individual's self-efficacy.

The above mentioned studies proved the importance and relationship of desirability and feasibility aspect as important in the study of intention. The researcher has used these variables in the study.

2.6 SUBJECTIVE NORM

However, empirical studies linking external conditions for entrepreneurship and individuals' career choice also provide inconsistent results. Rajiman,R.,(2001) examined the role of social networks in which individuals are embedded in predicting entrepreneurial intent. His results confirm that having close relatives who are entrepreneurs increases the willingness to be self-employed.

Begley in 1997 analyzed the impact of four socio-cultural conditions of entrepreneurship, i.e. importance of work, value of innovation, shame of failure and status of entrepreneurship in a society, on business students' interest in becoming an entrepreneur in seven different countries. The social status of entrepreneurship emerges as a good predictor of entrepreneurial interest. They reported a non-significant influence of shame of failure and relevance of work in a society.

Zampetakis,L.A. & Vassilis Moustakis (2006) presented a preliminary model, which links creativity with entrepreneurial intention. Model formulation is based on a random survey of students from two engineering schools. Model parameter estimation is supported by Structural Equation Modeling (SEM).

Extensive statistical analysis demonstrated model and parameter validity. Results indicated that student's self-perception of creativity and a family environment that promotes creative thinking can predict increased levels of entrepreneurial intention.

Subjective norms constituted the second construct in Theory of Planned Behavior model but subsequent entrepreneurial intentions models either neglected it, combined it with perceived desirability. Moreover, contrary to Theory of Planned Behavior theory, Krueger did not find subjective norms to have a significant influence on entrepreneurial intentions.

The above literature shows the importance of Subjective norm as factor of influence on the intention. This has helped the researcher in including this factor in the study.

2.7 SITUTATIONAL FACTORS

According to Michael D. Reilly & Alan L. Carsrud (2000), Entrepreneurship is a way of thinking, a way of thinking that emphasizes opportunities over threats. The opportunity identification process is clearly an intentional process, and, therefore, entrepreneurial intentions clearly merit attention. Equally important, they offer a means to better explain and predict entrepreneurship.

Autio, E.,Keeley, R.H.,Klofsten, M., Parker, G.G.C., and Hay, M., (2001), studied entrepreneurial intentions among university students in Scandinavia and in the U.S.A. applying theory of planned behavior. The goal was to develop a model that incorporates situational variables, reflected in perceived social norm, which can be manipulated through policy intervention. Apart from friends and family, social norm is reflected in the institutional environment in which the individual operates. The study) reports strong positive correlation between attitude, perceived behavioral control and intentions. This demonstrates the robustness of the entrepreneurial intent model in different cultural environments.

Lee, Wong, Foo, Leung (2009), found in their study titled Entrepreneurial intentions: The influence of organizational and individual factors ,the study found that the mismatch between individual characteristics and poor organizational conditions is indirectly linked to entrepreneurial intentions through low job satisfaction. The findings also suggest that self-efficacy strengthens the relationship between low job satisfaction and entrepreneurial intentions. This finding suggests that employees who are confident of their job skills may be more motivated to leave their companies to start businesses if they experience low job satisfaction.

Although some researchers considered unemployment as a major factor leading to self employment, but some studies found that family commitments were a major influence on self employment decisions, situational factors have not received much attention in entrepreneurial intentions models.

Davidson,P., (1995), found a relatively weak relationship between employment status and entrepreneurship activity. Similarly, Autio, E.,Keeley, R.H.,Klofsten,(1997), in a multinational study of university students found no significant relationship between employment status and entrepreneurial intentions. This study perceived employment status and perception of employability, the variable of interest in this study, to be conceptually different from the constructs already investigated with potentially different consequences for entrepreneurial intentions.

2.8 ROLE MODELS

Krueger, N.F., Reilly, M.D. and Carsurd, A.L.,(2000), presents a further developed intention-based model of entrepreneurial activity when discussing opportunity emergence and Perceived Desirability (incl. Social Norms, Attitude) Perceived Feasibility (Self- Efficacy) Credibility Potential Intentions Propensity to act Precipitating event (‘Displacement’) opportunity perception within corporations. In his model Krueger introduces exogenous factors in addition to precipitating factors.

They describe exogenous factors as situational and personal variables, which operate indirectly on intentions and behavior. For example, the presence of role models may increase entrepreneurial behavior if the role models actually change a key attitude such as self-efficacy. Some exogenous factors may also affect the intention-behavior relationship by precipitating, or facilitating the realization of intentions. Perceptions of resource availability may be a precipitating factor. Also some sort of displacement, a disruption in one's inertia such as getting fired or being offered a big contract may constitute a precipitating factor.

2.9 INSTITUTIONAL SUPPORT

In another study, by Franke, N., and Lutjhe, C., (2004), examined the influence of the university environment on entrepreneurial intention. Results of their study suggested that the lower level of student's founding intention follows from a negative appraisal of the university's activities to provide students with the knowledge required to start a business and to support the process of new venture creation actively. In addition, the differences in entrepreneurial intention is relative to the individual's perception of the university environment were significant and stronger than the differences with regard to personality traits, attitudes and socio-economic environmental factors.

Wang, C.K., and Wong, P.K., (2004), found that the Entrepreneurial interest of university students in Singapore lack a high level of interest, inadequate business knowledge and perceived risk are found to be significant deterrents.

Moreover, three background factors gender, family experience with business and educational level are found to affect entrepreneurial interests, but not family income status, ethnicity and citizenship. Of the significant factors identified, pertaining to inadequate business knowledge has direct policy implications for university administrators, as it strongly suggests the need to provide students in engineering and science with educational programs that impart business knowledge. Furthermore, the government also has to contribute

by promoting more awareness of successful entrepreneurial role models, removing bureaucratic impediments to start-ups, and attenuating the social stigma of failure.

However, there have been only a limited number of studies addressing influence factors for students' entrepreneurial intention (Luthje, C., and Franke, N.,(2003) and; Wang ,C.K., and Wong, P.K.,(2004). In addition, research results are partly inconsistent. Specifically, it is not widely known whether environment or the individual characteristics drive the students' career decision toward self-employment.

The study on Effects of attitude and perceived environment conditions on students entrepreneurial intent undertaken in 2009 in Austria by The Department of Innovation Management and Entrepreneurship of Klagenfurt University of Austria to develop a model of entrepreneurial intention that incorporates both human and environmental factors. The study used Regression analysis which indicates that there are differences in the entrepreneurial intention concerning gender, field of study and age. With increasing age the entrepreneurial intent also grows. In this study the environmental factors have been recognized as relevant. In this study results it points to the fact that the students belonging to the business sciences courses have the highest interest in the venture creation.

2.10 ENTREPRENEURSHIP EDUCATION

Souitaris, V., Zerbinatti, S., and Al-Laham, A., (2007), Do entrepreneurship programmes raise entrepreneurial intention of science and engineering students? The effect of learning, inspiration and resources Drawing on the theory of planned behavior, this study tests the effect of entrepreneurship programmes on the entrepreneurial attitudes and intentions of science and engineering students. This is necessary in order to confirm (or disconfirm) conventional wisdom that entrepreneurship education increases the intention to start a business.

The results show that the programmes raise some attitudes and the overall entrepreneurial intention and that inspiration (a construct with an emotional element) is the programmes' most influential benefit. The findings contribute to the theories of planned behaviour and education and have wider implications for a theory of entrepreneurial emotions and also for the practice of teaching entrepreneurship.

Entrepreneurial intention was predicted significantly by personal attractiveness of being an entrepreneur and perceived feasibility of doing this, with perceived feasibility being a stronger predictor than personal attractiveness. Social norms, the influence of important others' opinions were found to be non-significant; however, the interview data provided sound explanations for this surprising finding: internal locus of control of respondents and their habit of making their own decisions.

Another study by Giacomini, O., Janssen, F., Pruett, M., Shinnar, R.S., Llopis, F., and Toney, B., (2010), Entrepreneurial intentions, motivations and barriers: Differences among American, Asian and European students whether entrepreneurship education be the same in every country or should it be adapted to each context, In addition to answering this question, it also tried to identify the concerns students have regarding their entrepreneurship education programs, so as to strengthen their perceptions of feasibility and desirability of an entrepreneurial career.

The study examined whether differences exist among American, Asian and European students in terms of entrepreneurial intentions and dispositions, as well as motivations and perceived barriers for business startup. Results indicated that entrepreneurial disposition and intentions differ by country but that students across countries are motivated and/or discouraged by similar variables. However, the results indicated that the levels of sensitivity to each motivator and barrier differ by country. The results support the argument made by past researches that cultural differences should be taken into consideration when developing entrepreneurship education programs.

One construct in the intentions theory that is not featured enough in literature is entrepreneurial education. Only a few studies have looked at entrepreneurial education, particularly at university and tertiary institution level. However, there are many obstacles in the way of supporting the academic entrepreneurship. Many universities lack research activities and outcomes. Most universities focus on teaching, educating and preparing their students to be workers in the industrial or managerial world. Moreover, there is a lack of comprehensive policy in supporting the academic entrepreneurship.

Apart from universities, other actors such as government or the existing industries have paid very little attention and thus given little support to the issue of academic entrepreneurship as mentioned in a study by Etzkowitz, H., and Leydesdorff, L., (1997), study on impact of entrepreneurship education – a comparative study of USA and Korea. The results of the study imply that unique cultural context has differentiated American and Korean students. The results strongly indicate that the impact of entrepreneurship education in countries where entrepreneurship orientation is poor will be greater than that in the countries with a strong entrepreneurship-oriented culture.

In the study of impact of childhood experiences on the development of entrepreneurial intentions. This study has established the significance of desirability and feasibility of starting a business on intentions. This study brought about new variables like childhood experiences other than a family background in business. It takes into consideration difficult childhood experiences influence on entrepreneurial intention.

The bulk of these studies and findings relate to developed economies. Hardly enough empirical research has focused on developing countries a fact that made the area of entrepreneurial intention the focus of this study. The review of literature helped in identifying this major gap of intentions study in the country. It also helped the researcher in identifying the dimensions which will have influence on the study topic.

The review of literature helped in identifying the factors and the statistical tools which can be used for analysis to get the reliable and correct results for the study.

Based on the review of literature, the following operational definitions of the variables have been used for the study.

2.11 OPERATIONAL DEFINITIONS

The following operational definitions are adopted for the present study:

Perceived desirability refers to the degree to which he/she feels the attraction for a given behavior.

Perceived Feasibility is defined as the degree to which people consider themselves personally able to carry out certain behavior.

Attitude – is the degree to which the individual holds a positive or negative personal valuation about being an entrepreneur.

Subjective Norm – the perceived social presence to carry out or not to carry out the entrepreneurial behavior.

Situational Reference– refers to situation or conditions of unemployment and family commitments

Role Model - refers to individual entrepreneurial role of economic agent & inspiration.

Personal Motivation – refers to appealing reasons to embrace entrepreneurship activity.

Institutional Research – refers to research and development activity of the institution and faculty.

Institutional support – refers to programs, projects & network provided by institution to facilitate ideas exchange by faculty & outside world

Entrepreneurship Education-refers to academic course on the subject Entrepreneurship through formal & informal systems.

Entrepreneurial Intention is the indication of an individual's willingness to perform entrepreneurial behavior, to start a venture.