CHAPTER 1

INTRODUCTION

Entrepreneurship plays a crucial role in the growth and development of economy and it is a key contributor to innovativeness and product improvement. The major contributions that entrepreneurship makes to the economic development include promotion of capital formation, creation of large-scale employment, encouragement of balanced regional development and effective mobilisation of capital and skill. When countries are unable to invest in capital intensive and technologically sophisticated industries, the small and medium enterprises and entrepreneurial supply provides an alternate solution for the growth and development of such economies.

Entrepreneurship helps in the process of economic development for creating both direct and indirect employment. Directly self-employment as an entrepreneur and indirectly by starting many industrial units they offer jobs to millions of people. It is widely accepted fact that active and enthusiastic entrepreneurs can explore the potentials of the available resources such as labour, capital and technology. As a change agent, they initiate economic activity by taking initiatives through business ventures.

Many economists have highlighted the role of entrepreneurship in economic development. In the view of Smith (1776), the entrepreneur who forms an organisation for commercial purpose is a proprietary capitalist, a supplier of capital and at the same time a manager who intervenes between the labour and the consumer. Schumpeter (1934) introduced the role of entrepreneur as one of the important factors of production. He further added that innovation in enterprise building is the hallmark quality of the individuals in terms of accelerating the process of economic development. Entrepreneurship has been identified as the fourth factor of production that helps to discover new frontiers leading to all round economic growth. (Leff, 1979; Harper, 1991). Their role has been highlighted in opportunity creation through new ventures and maintenance of existing ones (Leibenstein, 1968). Shapero (1985) observed entrepreneurship as a means of
creating diversity, innovation, development and independence by individuals in society. The Commission of European Communities (2005) reported that entrepreneurship is very important for further social development through increased job opportunities and consequent economic prosperity. Misra and Puri (2010) regarded entrepreneurship development as an approach of developing human resources and it is concerned with the growth and development of people towards high competency, creativity and fulfillment. Desai (2009) noted that entrepreneurship is one of the most important inputs in economic development of the country. The economic development of a nation depends on industrial development, which in turn is based on the entrepreneurial competencies of the people (Santi and Rajeshkumar 2011). According to Mehta (2013), “An economy is the effect for which entrepreneurship is the cause”.

1.1 Importance of entrepreneurship in developed countries

Entrepreneurship has gained great significance at global level under changing economic scenario, since accelerated growth is driven by entrepreneurship. The economic history of the presently advanced countries like USA, Russia and Japan supports the fact that economic development is the outcome for which entrepreneurship is an inevitable cause. The North American and South East Asian models have demonstrated that the potential to encourage and nurture entrepreneurs and entrepreneurial ventures are the crucial factors for economic development and growth. International Labour Organization reported that nearly, 75 million youth were unemployed around the World and Global youth unemployment rate was projected at 12.6 percent (Report on youth employment and unemployment scenario, Ministry of Labour and Employment, Government of India, 2012-13). The youth unemployment rates have been growing annually at more than 15 percent all over the World. According to the United Nations report (2000), youth unemployment problem is worse in Asia accounting for 54 percent of World’s unemployed youth population. The crucial and significant role played by the entrepreneurs in the economic development of advanced countries have made the people of developing and underdeveloped countries conscious of the role of entrepreneurship for economic development.
1.2 Importance of entrepreneurship in developing countries

Most of the developing countries, examine entrepreneurship as an engine of economic growth, job creation and social adjustment (Mohar, Singh and Kamal 2007). Most recent socio economic crisis like rapid increase in fuel and food prices, serious threats to social peace, security etc., added to the need of entrepreneurial expansion everywhere in the World particularly in developing countries (Levenburg, 2008). The challenge being faced by most of the developing countries is the high rate of unemployment, closure of big companies, which results in job loss and decreased standard of living. The developing World is poverty-stricken and people do not have enough disposable income to purchase the necessities. The answer to all these challenges is the pursuit of entrepreneurship. Through entrepreneurship, more employment opportunities can be created which results in improved standard of living. It is a well thought-out solution for the problem of unemployment among the developing countries (Rwigema and Venter, 2004).

Promotion of entrepreneurship will, not only help in reducing unemployment, but also play a vital role in income distribution, attainment of economic self- dependence and economic upliftment (Agarwal and Upathyay, 2009). According to Hoselitz (1952), even imitator-entrepreneurs had a distinct role to play because developing countries have potential for imitated products due to huge demanding market.

1.3 Significance of entrepreneurship in India

The role of entrepreneurs is more pronounced in a country like India where the twin problems of poverty and unemployment coexist. India is considered as the third largest scientific and technical human capital in the World (Sundar, 2011). India has a predominantly young population but accounts for a major chunk of Asia’s unemployed. In 2011, there were 270 million youth in India, but only 23.6 percent could be absorbed in the labour force. The unemployment among the graduate youth increased from 19.4 percent in 2011-2012 to 32 percent during 2012-2013. It is noted that one out of every three persons in
the age group of 15-29 years who have completed at least a graduation has been found to be unemployed. (Report on Youth employment and unemployment scenario, Ministry of Labour and Employment, Government of India, 2012-13). In the next twenty years, India will have more than 400 million youth under the age of 35 (Mukesh Ambani, 2009) and more than 36 million educated youth will be unemployed (Sundar, 2011). To confront and solve such problems, one should aim at eradicating the poverty and improving the standard of living. This goal may be achieved through economic development, resulting in the creation of a greater number of employment opportunities. One of the ways of achieving economic development is through the nurturing of a greater number of entrepreneurs who could feed themselves and defend a host of others through offer of employment.

In Global Entrepreneurship Development Index (GEDI), India occupies 53rd place with GEDI of 0.23 while Denmark (with GEDI- 0.76) Canada (with GEDI- 0.74) and United States (with GEDI- 0.72) are placed at the top three positions (Kishore, 2011). This provides a greater opportunity for young Indians to take the entrepreneurial route since the offer of employment by the Government or by the private sector is quite impossible when one compares with the number of people to be employed.

Due to the globalization process and the restructuring of organisations following intense competition in the market Worldwide, the number of jobs is dwindling. To add to these problems, the digital divide has successfully divided the employers and the employees. The online purchase and other digitally advanced modes of marketing alter the need for employing individuals. The quality management practices and the Information Communication Technologies (ICT) advocate for cost reduction thereby resulting in unemployment.

Youth unemployment in India has adverse effect on the economy, as educated unemployed will become a revolutionary who will destroy social order because of their mounting frustration and the prevailing inequality and injustice. Further, large-scale unemployment may contribute to the excessive crime and violence. As such, the policy makers have to be sensitised to the issue of unemployment among the educated youth.
In recent years, fostering entrepreneurship has become a topic of the highest priority in public policy since well-educated entrepreneurs are of paramount importance. Portals of higher education are the centers where new products and process consolidate the foundation for the new firms and enterprises. More specifically graduates are the most promising sources of entrepreneurship (Veciana et al., 2005). The growing interest towards entrepreneurship as a career option is luring and it is postulated that educated entrepreneurs are expected to create ventures that grow faster than their counterparts do.

Tamil Nadu is a leading State in India. In Tamil Nadu, in 2010-2011, 24.09 lakh students were enrolled in higher education and 59 universities, 1985 colleges were offering undergraduate and postgraduate courses of study (Annual Report of Ministry of Human Resource Development, 2010-2011). Because of the development of higher education on a grand scale in Tamil Nadu, the employment of graduates is becoming a more serious problem. To solve this problem, Tamil Nadu Government promotes entrepreneurship and starts to encourage and support graduates to create their own business. In Tamil Nadu, many colleges help the students by setting up entrepreneurship development and incubation cells. Further, the subject of entrepreneurship is introduced as a major component from graduate level in the university education. Entrepreneurship course is mainly offered as an elective course to provide knowledge and skill for the students who are interested in small business development. However, the students do not have a favorable attitude and intention to take up entrepreneurship. To promote the entrepreneurship among graduates and drive the employment through entrepreneurship, it is necessary to explore the entrepreneurial attitude and intention among students.

1.4 Approaches for developing entrepreneurship among the youth

There are two approaches for developing entrepreneurship among youth. First approach is associated with the development of human factor and second approach is apprehending with the development of environment where
entrepreneurial activities can flourish and grow. The direct approach of entrepreneurship development focuses on the development of the human factor. The human factor indicates the values, attitudes, aspiration and motivation of people. A person does not inherit these entrepreneurial qualities. They are rather acquired in the process of socialization in a particular culture. Entrepreneurs do not inherit the entrepreneurial qualities but develop such qualities as mindset, creative thinking, understanding risk and opportunity. Hence, entrepreneurship development among youth largely depends on their attitude.

1.5 Attitude orientation towards entrepreneurship

Since the main function of the entrepreneur is to act as an agent of change in an otherwise repetitive economy, there is a need for favourable attitude towards entrepreneurship (Dana et al., 1999). Wiklund and Shepherd (2003) noted that entrepreneurial attitude has a positive force on the relationship of knowledge based resources and exploitation of opportunities. Jantunen et al., (2005) noted that attitude along with timely capabilities of person has a positive impact on entrepreneurial performance. Chen et al., (1998) provided empirical evidence that entrepreneurial attitude was positively related to students’ intention to start their own business. Because, attitude and intention are precursor of entrepreneurial action, an understanding of the attitude and those factors, which may affect them, including educational background, is a critical step in promoting greater entrepreneurial initiative.

Attitude is defined as beliefs and perceptions regarding the personal desirability of performing the behaviour, which in turn are related to expectation regarding the personal impact of outcomes resulting from that behaviour (Ajzen 1991). Attitude is the tendency to which the individual holds a positive or negative personal valuation (Autio et al., 2001). An attitude is "a complex mental state concerning beliefs, feelings, values and dispositions to act in definite ways". Attitude inclines to change across time and situations through an interactive process with the environment and can offer a prediction about a person’s future events (Carlson, 1985). Shapero and Sokol (1982) argue that attitude is linked
with entrepreneurial intention, especially in perceived venture feasibility and desirability. Bird and Jelinek (1988) noticed that entrepreneurial attitude have a way of influencing the realization of entrepreneurial intention.

There are several aspects of entrepreneurial attitude orientation. It is assumed that an individual striving for a high degree of autonomy in his life is more likely to act entrepreneurially. Moreover, an individual’s attitude towards innovation determines entrepreneurial behaviour and the propensity towards risk is likely to affect entrepreneurial orientation. Robinson et al., (1991) designed the Entrepreneurial Attitude Orientation (EAO) scale to measure entrepreneurial attitude based on the constructs of achievement, innovation, personal control and self-esteem. Achievement refers to concrete results associated with the starting of a business, innovation relates to acting on business activities, personal control concerns one’s perception of control or influence over his or her business and perceived self-esteem relates to self-confidence with regard to one’s business affairs.

1.6 Intention towards entrepreneurship

Entrepreneurial intention is an important variable in understanding the formation of new business ventures (Katz and Gartner, 1988, Bird, 1988, Webster, 1977). Forming an intention to develop an entrepreneurial career is the first step in the often-long process of venture creation (Gartner, Shaver, Gatewood, and Katz, 1994). In social psychology, intentions have proved to be a strong predictor of planned individual behaviour, especially when that behavior is rare and difficult to involve unpredictable time lags (Krueger, Reilly and Carsrud, 2000). Entrepreneurship is a typical example of such planned and intentional behavior (Bird, 1988; Krueger and Brazeal, 1994). Earlier literature argue that intention play a very pertinent role in the decision to start a new business (Linan and Chen, 2009). Therefore, during the last recent years, employment status choice models that focus on entrepreneurial intention have been the subject of considerable interest in entrepreneurship research (Krueger and Carsrud, 1993, Kolvereid, 1996). In these models career intention is seen as the immediate antecedent of behavior (such as starting a business). Intention in turn is determined
by attitude and attitude is affected by ‘exogenous influences’ such as traits, education, demographics and situational variables. (Ajzen, 1991; Kolvereid, 1996; Krueger, 2003; Segal, Borgia and Schoenfeld 2005; Souitaris et al., 2007).

To goad individuals to take up entrepreneurship as a career option it would be highly desirable to determine the extent of their awareness and intention to be entrepreneurs (Chief Minister, TamilNadu, Vision 2023 document). Generally, the attitude towards enterprise building and entrepreneurship as a career option is not a favourable predisposition among the youth. To break such a myth it would be essential to understand the attitude and intention among the youth who look for employment as the only career option. Such type of understanding would facilitate to formulate constructive plans for implementation and strategies for adoption. Souitaris et al., (2007) remarked that entrepreneurial programmes raise attitude and provoke entrepreneurial intention among youth. Miettinen (2006) opined that a great deal of emphasis is placed on interaction between educationists and industrial experts and transfer of knowledge from educational institution to business.

At the District level, Coimbatore is the second largest industrial city in the State of Tamil Nadu after Chennai. It is one of the fastest growing Tier- II cities in South India and is known as Manchester of South India. The average literacy rate of the city is 82.43 percent compared to the national average of 72.99 percent. (Coimbatore District Census, 2011) Further Coimbatore is the hub of educational development and industrial development. Hence, studies on the supply of entrepreneurship are crucial as land, technology, infrastructure and other structural components are available in Coimbatore and its surroundings. However, the verification of the entrepreneurial supply in terms of the human potential needs to be addressed and probed.

In this context, the current study on “**Entrepreneurial attitude orientation and intention among various Categories of Students**” was carried out with the following **objectives:**
To find out demographic and biographic characteristics of the various categories of students;

To study the extent of awareness and the participation in entrepreneurial training programmes;

To examine entrepreneurial attitude orientation among male and female students pursuing various streams of study;

To analyse entrepreneurial intention among male and female students pursuing various streams of study:

To find out the relationship between entrepreneurial attitude orientation, entrepreneurial intention and entrepreneurial behaviour among the students and

To identify the support required from the educational institutions to promote entrepreneurship.

1.7 Research gap and the significance of the current research

A close perusal of the existing literature indicated that entrepreneurial attitude orientation studies were extensively carried out in United States, Germany, Malaysia and a few other countries all over the World. However, there had been little effort to study the entrepreneurial attitude orientation and entrepreneurial intention in India, notably in Tamil Nadu, the geographical area from where the research was carried out. Further, the current studies were related to the analysis of entrepreneurial intention for the students enrolled in courses like engineering and management. The predominant student population hailing from arts, science and commerce streams were not addressed extensively and the students enrolled in different mode of institutions /colleges were not studied in depth. Hence, the current study is expected to fill up the research gap.

1.8 Need for the study

Despite the importance of entrepreneurship for economic development, the role of students in promoting entrepreneurship predominantly stays unlearned.
Thus, a better understanding of the factors that affect students and their entrepreneurial intention could have theoretical and practical implications to policy makers. There had been little understanding of the factors that affect students’ intention of becoming entrepreneurs and the relationship between entrepreneurial education and students’ entrepreneurial attitude and intention (Souitaris et al., 2007). Furthermore, the studies showing the differences in entrepreneurial attitude and intention among students belonging to different courses of study are scarce (Wilson et al., 2004). Hence, more detailed research is needed to get a full understanding of the link between education and entrepreneurial attitude and entrepreneurial intention (Lepoutre et al., 2010).

While the literature on entrepreneurship in India is growing, limited studies explain the relative contribution of personality factors and socio demographic factors pursuing an entrepreneurial career. Although entrepreneurial intention is an important field in entrepreneurship, the antecedents of entrepreneurial intention still lack empirical evidence (Choo and Wong, 2006). One way of addressing the enhancement of employment opportunities is to study, identify and motivate entrepreneurial intention. As a parallel, it is crucial to test the attitude to start a business venture and the intention to commit to such acts at a later stage.

1.9 Scope of the study

The study on attitude and intention to carry on with the business by the students will contribute to evolve strategies by the Central or State Government for the benefit of the unemployed educated youth.

The knowledge of differences in entrepreneurial attitude orientation and intention can give valuable indication to policy makers and to Universities to stimulate entrepreneurial traits and behaviour.

Studies have shown that the favorable attitude towards business or entrepreneurship result in strengthening the intention to become entrepreneurs. Various agencies and institutions are creating awareness to become entrepreneurs among the students belonging to the portals of higher education. However, the
number of students choosing entrepreneurship as a career option appears to be less than the expected level. Hence, it is most crucial to understand the reasons for this state of affairs and suggest suitable remedial measures.

The review on entrepreneurial attitude orientation and entrepreneurial intention gives the fillip that the Indian context especially the Southern peninsula needs to address this postulate extensively since the host of the factors of production is already available and only the entrepreneurial supply need to be augmented.

The research on ‘Entrepreneurial attitude orientation and Intention’ is not only timely but also relevant and significant in the process of making inroads into a newer domain. It further suggests possible intervention to make the research as an application oriented one.

1.10 Limitations of the study

The study has a few limitations:

- The study was carried out in a particular geographical locale and is influenced by the extraneous variables preventing possible generalizations.

- The specific sampling framework prevents a possible generalization across the population and

- The science-based courses do not admit greater number of students due to the existing laboratory facilities. Hence, the students' strength is unequal across the streams.