An Empirical study of Entrepreneurial Intent; An application on Business Graduates of Sultanate of Oman

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Abstract:
Since Middle East has been facing oil crisis as a result of sharp fall in oil price in international market, the importance of entrepreneurship has been increased indefatigably as an alternative to fortify and boost the Middle East economies. Entrepreneurship is held in higher esteem being major influence in bolstering any economy. Against this backdrop, the current study is an attempt to explore how Omani students are inspired to opt entrepreneurship as their aspired endeavour in future and how they can be motivated to adopt entrepreneurial career. Exploratory research has been conducted on the students of two colleges from different geographical areas to endorse and validate the proposition. Empirical findings of the present study conclude that attitude towards entrepreneurship (ATE) and perceived behavioural control (PBC) are the strongest predictors of entrepreneurial intentions (EI) among Omani students. Government and educational institutions are formulated to foster entrepreneurial intent among students by providing conducive educational environment and business incubation services. However subjective norms (SN) have been concluded as a weaker predictor of EI. That reveals a less social and family pressure on the students for entrepreneurial career because of some cultural constraints of the Gulf region.

Key words: Entrepreneurial Intent, Omani Students, Perceived behaviour control, Subjective norms

Introduction:
During the last few decades, the realm of entrepreneurship has been explored extensively by many scholars and researchers. The reason of such a wide range speculation is that entrepreneurs are playing a vital role to accelerate economic growth of a country. Entrepreneurs do several business activities which contribute in circulation of funds and create more job opportunities (Reynolds, 1987). Middle East is currently facing oil price crisis in international markets. Most of the Middle East countries’ economies are dependent upon oil. Since oil crisis is concurrent, these countries are striving to transform the dependency of their economies from oil to other sectors and business. This situational factor has heightened the value of entrepreneurial activities to remarkable intensity. Lack of student entrepreneurial intent can be vulnerable to the current generation to compete millennials worldwide. In this situation, Governments and research scholars are concerned to discover factors which impact on the decision of choosing entrepreneurship as career by the students. Previously, most of the scholars focused on elements which were supposedly deemed to be the reasons to select entrepreneurial career. Those elements include personality characteristics such as self-confidence, locus of control, risk-taking, etc (Bonnett and Furnham, 1991). Other lot of scholars worked on situational factors. Their findings backed the view that students’ background and the current situation in which they are living might prove as moulding factors in creation of an entrepreneur (Wennekers and Thurik, 1999). Therefore, such studies were confined to these particular facets discussed above which
lacked to endow a holistic view of the components which become the reasons for the students to adopt entrepreneurship as their job option. Some other studies were conducted specifically on elder people. According to Liles (1974), people usually decide to consider entrepreneurial career in the young age. Following this point of view, the present study focuses on graduating students who are in the right age to choose entrepreneurial career.

Sticking to the importance of entrepreneurship as it is held in the Middle East, the study investigates the factors which are important to drive the students’ intent towards entrepreneurial career in the Sultanate of Oman. This study contemplates on subjective characteristics of a student which impact on their entrepreneurial decision making. The three main independent variables which affect Entrepreneurial Intentions include— first, Perceived Behavioural Control (PBC) that is based on self-efficiency; second, Subjective Norms (SN) which comprises normative aid and facilitation; and, the third being Attitude towards Entrepreneurship (ATE) which is result of a settled mindset for entrepreneurial behaviour. Entrepreneurial decision making is fuelled by Entrepreneurial Intentions (EI) of the people. This empirical study investigates the link between above mentioned three independent variables and students’ EI. Another past study has considered these factors to locate entrepreneurial intentions in Scandinavia and USA conducted by Erkko et al (2001). Colleges of Technology have a conspicuous status in Oman’s academic domain. Being the students of technology colleges, they are expected to contribute more into the field of entrepreneurship by utilizing their technical and innovative skills. Thus, the study is conducted on the population of two technology colleges in the Sultanate of Oman to explore the level of entrepreneurial intentions of the students and the elements which facilitate students to choose entrepreneurship as their career in future. The study is highly significant for Government and academic institutions to develop such policies and normative aids to harvest a suitable environment and conditions to attract students’ intent for the career of an entrepreneur. This would develop students in individual capacity while contributing to their national economy.

**Theoretical Framework & Hypotheses Development**

**Entrepreneurship**

Entrepreneurship can be defined as the process where an individual takes initiatives, explores new business opportunities, new techniques, new design of the product despite the available resources (Stevenson & Jarillo cited in Barringer & Ireland, 2010). Fred Wilson has articulated entrepreneurship as virtuosity of transforming an idea into a profitable business (Barringer & Ireland, 2010).

The word *entrepreneur* has been derived from ‘entreprendre’ a French word which means ‘to undertake’. There is a dearth of consensus among the philosophers how they view and perceive the meaning of entrepreneur. For economists, entrepreneur is a person who combines different factors of production such as land, labour, and capital together to achieve valuable output. To a psychologist, entrepreneur is galvanized by the force of needs to procure something and consummate the intended end. Businessmen consider entrepreneur as a menace, contentious competitor who also plays a role of collaborator, dreams up wealth for other’s prosperity through proper and efficient utilization of the resources and also offers employment opportunities (Hisrich, Peters & Shepherd, 2005). The most debated discussion on whether entrepreneur is born or made has been resolved with the evidence from many past studies where a consensus is made which has greater acceptance that an entrepreneur is not born or genetic, he is made (Barringer & Ireland, 2010). Everybody entails the potency of becoming an entrepreneur and peculiarly the people who have gone through process of education in colleges or universities (Gelard & Saleh, 2011; Ooi et al., 2011).

However, becoming a successful entrepreneur is a complex task. It requires strong strategic planning set with targets, business prowess, getting into partnerships businesses, arrangement of resources-funding tools and equipment, leading and motivating the employees. Thus spotting entrepreneurial intention of an individual assumes greater importance as it reflects what he bears in his mind and how he achieves his set goals to attain remarkable success.
Entrepreneurial Intention (EI)

Human behaviour is guided by planning and the best prognosticator of that behaviour is the intention that one bears in his mind (Ajzen, 1991). An individual prefers to be self-employed after distinguishing entrepreneurship as a career (Davidsson, 1995) rendering him multifarious channels to aggrandize his aims and pursuits with apt financial gains (Barringer & Ireland, 2010).

Entrepreneurial intention refers to eagerness of executing some entrepreneurial activities, involvement and exploring the avenues for new businesses (Dell, 2008; Dhose & Walter, 2010). Birds (1988) comprehended that entrepreneurial intention is a mere mindset of a person driving his intentness towards desired objectives, setting up new business or venture, or re-engineering of the process to make some value addition to the present firms. Thus, it has significant impact on the success and growth of firms. It further enunciates an individual to develop ambitions and feelings to be self-dependent (Zain, Akram & Ghani, 2010). Even though a person may have the potency to become an entrepreneur, however without strong assertion of such intentions, he cannot break the ice (Mohammad Ismail et al., 2009). Explorations made on entrepreneurial intention enabled the scholars to fathom entrepreneurial process and better anticipation of entrepreneurial activities over perceiving the antecedents of entrepreneurial intention (Davidsson, 1995; Bird, 1998; Krueger et al., 2000; Peterman & Kennedy, 2003; Liñán, 2004; Kolvereid & Isaksen, 2006; Krueger, 2007; Dell, 2008; Mohammad Ismail et al., 2009). Findings of Krueger et al. (2000) and Krueger (2007) reveal that intention acts as an intermediary between entrepreneurial behaviour and different exogenous determinants such as demographic structure, personality traits, social and cultural factors and financial foothold. They highlighted the valid cause as to why individuals start-up their own business even prior to taking the decision regarding the nature and type of business.

To a later stage, the researchers put forth that entrepreneurial education should also be reckoned as an impetus to entrepreneurial intention model. Education and training usher in drastic changes in the perception and attitude of individuals regarding entrepreneurial intention as they enhance their confidence level making them self-reliant boosting a feeling that they can select entrepreneurship as a career and easily manage its spheres (Peterman & Kennedy, 2003; Kolvereid & Isaksen, 2006; Dell, 2008; Tam, 2009).

Perceived Behavioural Control (PBC)

Perceived behavioural control can be defined as an acumen in people in labelling their ability to perform a specific behaviour. Ajzen (1991) describes that perceived behavioural control spotlights past experiences of individuals and their forecast problems and hindrances. The combination of perceived behavioural control and intention together show how an individual deals and controls in a situation (Ajzen, 1991). The research indicates that the students intending to be successful entrepreneurs enjoy high degree of perceived behavioural control. Zaidatol Akmaliah Lope Pihie (2009) implied that the more the students have substantial understanding of entrepreneurial issues, the better will be their perceived behavioural control. This study has been apprehended (Zaidatol Akmaliah Lope Pihie, 2009) further by explaining how students having notions that entrepreneurship should be considered as a subject to be facilitated in universities, hold greater degree of perceived behavioural control. The findings claimed that there is positive and significant relationship between perceived behavioural control and students’ entrepreneurial intention (Kolvereid, 1996; Chen et al., 1998; Kristiansen and Indarti, 2004; Basu and Virick, 2008; Zaidatol Akmaliah Lope Pihie, 2009; Ruhle, Mühlbauer, Grünhagen and Rothenstein, 2010; Paco et al., 2011). Self-assessment regarding perceived behavioural control significantly modifies entrepreneurial intention while creates a base for it (Ruhle et al., 2010). The perceived behavioural control theory of Ajzen endorses the belief that the past experiences, in order to begin a business, are strongly correlated with self-efficiency and supportive attitude for entrepreneurship (Basu and Virick, 2008).
In a nutshell, it can be stated that individuals having strong perceptions of becoming entrepreneurs and attaining height of business accomplishments, would be encompassing high volume of entrepreneurial intention. Thus the first hypothesis has been formulated for the present study.

\[ \text{H1: There is significant relationship between perceived behavioural control and entrepreneurial intention.} \]

**Attitudes Towards Entrepreneurship (ATE)**

Attitudes refer to the convictions and perceptions related to self-magnetism in order to execute behavioural actions based on the expectations about desired results from that behaviour (Ajzen, 1991). Further studies (Trevelyan, 2009; Sagiri & Appolloni, 2009) proposed that personal attitudes and thoughts have greater impact on individuals’ behaviour and their actions are determined owing to these attributes. The concept of attitudes towards behaviour has its apprehension as it facilitates evaluation of positive and negative consequences of behaviour (Ajzen, 1991) while another study submitted that it is individual’s inducement driving him to become self-employed (Li, 2007). Attitude towards behaviour is a perception through which people discern and explore pathways to set up new businesses (Xavier et al., 2009).

The study found a positive and significant relationship between attitudes towards behaviour and entrepreneurial intentions (Kolvereid & Tkachev, 1999; Dohse & Walter, 2009; Paço, Ferreira, Raposo, Rodrigues & Dinis, 2011). Thus transformation of personal attitudes should be the purpose of education and training rather than mere furnishing technical know-how pertaining to business as it can have remarkable influence on the business creation process and can also resolve the hiccups of entrepreneurship (Paço et al., 2011; Dohse & Walter, 2009). Further a research (Scholten et al., 2004) concluded that entrepreneurial intention depends on attitude where the greater is the degree of variation in attitude, the equal would be the variation in entrepreneurial intention. Thus there is direct and positive kinship between these two variables. A study about students’ attitude-intentions revealed that attitude towards behaviour significantly affects individuals’ intentions (Krueger et al., 2000). A similar study was conducted taking Open University Malaysia as sample in which the result illustrated that majority of students choose entrepreneurship as their career and hold robust intentions to become successful entrepreneurs (Leong, 2008).

To add, self-determination and efficiency of the students can also be strengthened having entrepreneurship education (Tam 2009; Byabashaija & Katono, 2011). It has laid emphasis on the fact that individuals’ endeavour and intention to be an entrepreneur is largely influenced by — firstly, internal factors such as knowledge regarding a particular responsibility and the perceived notion about his potential and the available resources; and secondly, externally factors consisting of the available means (Dell 2008).

Thus attitude towards behaviour has been considered one of the most important factors affecting entrepreneurial intention. So based on the collected literature review, the second hypothesis of the present study has been proposed:

\[ \text{H2: There is a positive relationship between attitude towards entrepreneurship and entrepreneurial intention of the students.} \]

**Subjective Norms (SN)**

Subjective norms can be defined as perceived social pressure determining an individual either to perform or not to perform a particular behaviour (Ajzen, 1991). An individual receives pressures from family, friends and society. They are also termed as factors moulding the intention of an individual to become an entrepreneur.

There has been a conflict of opinions among theorists and researchers as to whether subjective norms carry any significance in anticipating entrepreneurial intention. A study showed an insignificant relationship between subjective norms and entrepreneurial intention (Reitan, 1997; Krueger et al., 2000; Autio et al., 2001; Liñán, 2004; Liñán & Chen, 2009). Other researchers have found a significant impact
of subjective norms on entrepreneurial intention (Kolvereid, 1996; Kolvereid & Tkachev, 1999; Kolvereid & Isaksen, 2006; Yordanova & Tarrazon, 2010). There are some studies which have not considered subjective norms acting as base for gauging entrepreneurial intention (Peterman & Kennedy, 2003; Veciana, Aponte & Urbano, 2005).

Hence subjective norm is included in present study and an attempt has been made to investigate its correlation with entrepreneurial intention proposing the third hypothesis accordingly.

\[ H_3: \text{There is a significant relationship between subjective norms and entrepreneurial intention.} \]

**Research Methodology**

This is an empirical study exploring hypothetical framework through hypotheses testing. Quantitative methods are used to draw the findings of the study. Data is collected through cross-sectional way by random sampling method. Two clusters of graduating students are chosen from two colleges hailing from different cities. Data is collected in natural setting while students were present in their classes for study. Data is analyzed in SPSS by using appropriate statistical tools such as correlation, regression and ANOVA.

Population of this study consists of students with Business Studies specialization from HCT, Muscat and Ibi College of Technology, Ibi. The target respondents were studying in higher diploma and bachelors’ levels. Overall 130 questionnaires were distributed among the target respondents randomly. After collecting the surveys from students, 112 surveys were found to be filled completely and correctly which were used to analyze the data for the purpose of current study.

The questionnaire of the study consists of 5 Likert scale. There are total 14 items which are selected to measure 3 independent variables and one dependent variable. There are four questions in the beginning of survey which collect demographic information of the respondents. The questionnaire used in the study contained 14 items in total. Four items measured Perceived Behavioural Control; five items evaluated Subjective Norms and one item related to Attitude towards Entrepreneurship. Entrepreneurial intention has been explored through 4 last items. A five point Likert Scale was used in all questions. The questionnaire items are taken from the study of Erkko et al. (2001). The scale consisted of 1= Strongly Agree, 2= Agree, 3= Neutral, 4= Disagree, 5= Strongly Disagree.

**Conceptual Model**

**Data Analysis & Hypotheses Testing**

The reliability test has presented following results:

<table>
<thead>
<tr>
<th>Variables</th>
<th>Cronbach's Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>PBC</td>
<td>0.922</td>
</tr>
<tr>
<td>SN</td>
<td>0.827</td>
</tr>
<tr>
<td>ATE</td>
<td>0.749</td>
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</tbody>
</table>
Since Cronbach’s Alpha for PBC, SN, ATE and EI are 0.922, 0.872, 0.749 and 0.705, hence they fall in excellent level of internal consistency for all variables in the analysis. It is suggested in earlier study that Cronbach alpha greater than 0.5 indicates acceptable reliability of the data in social sciences (Nunally & Bernstein, 1978).

<table>
<thead>
<tr>
<th>Correlations</th>
<th>PBC</th>
<th>SN</th>
<th>EI</th>
<th>ATE</th>
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</thead>
<tbody>
<tr>
<td>PBC</td>
<td>1</td>
<td>.760**</td>
<td>.650**</td>
<td>.805**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
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<tr>
<td>N</td>
<td>112</td>
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<tr>
<td>SN</td>
<td>.760**</td>
<td>1</td>
<td>.619**</td>
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<tr>
<td>EI</td>
<td>.650**</td>
<td>.619**</td>
<td>1</td>
<td>.713**</td>
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**. Correlation is significant at the 0.01 level (2-tailed).

The correlation value between SN and PBC is 0.760 which means that both the variables are 76% correlated and the relationship is positive. When comparing PBC and EI, it is 0.65 which means that both variables are 65% correlated positively. For SN and EI, its 0.619 is showing approximately 62% with positive magnitude.

| Overall Model Summary |
|-----------------------|-----------------|----------------|------------------|
| Model                | R               | R Square       | Adjusted R Square | Std. Error of the Estimate |
| 1                    | .658a           | .402           | .296             | 2.36951                      |
| a. Predictors: (Constant), PBC, SN, ATE |
| b. Dependent Variable: EI |

Table shows that there is a good model fitness for the construct of this study. The relationship between dependent and independent variables in this overall model is 0.658 which means that the variables are 65% correlated and the relationship is positive while R square value is 0.402 which means that the model is explaining the scenario by 40% and rest of variation which is 60% is due to other unknown variables.

\[ EI = \alpha + \beta PBC \]
\[ EI = 9.484 + 0.650 PBC \]

Above regression model shows the relationship between EI and PBC. If there is no PBC then EI will be 9.484 units while a one-unit increase in PBC brings 0.650 units change in EI keeping other things constant. P-value is 0.000 which reveals a significance of linear regression model. The value of t statistics is 6.901 which is much greater than 2 (rule of thumb) which shows that the outcomes are significant resulting in rejection of H0 and Acceptance of H1. Hence PBS has a substantial effect on EI of the students.

\[ EI = \alpha + \beta SN \]
\[ EI = 7.511 + 0.619 SN \]
This regression model reveals that single unit increase in SN brings 0.619 unit increase in EI keeping other things constant. The value of $t$ statistics is 6.374 which is much greater than 2 (rule of thumb) which shows that the results are significant deciding the rejection of $H_0$ and acceptance of $H_2$. Level of Sig is 0.000 that shows excellent level of acceptance of the said model. Here, SN is significantly influencing EI of the students but this variable has lesser effect on EI if compared to other two independent variables i.e. SN and ATE.

$$EI = \alpha + \beta ATE$$

Analysis of above regression model explains that a single unit increase in ATE brings 0.713 units increase in EI keeping other things constant. $P$-value is 0.000 that is favourable for the scenario. The value of $t$ statistics is 10.680 being much greater than 2 (rule of thumb) which shows that the results are significant culminating in rejection of $H_0$ and acceptance of $H_3$. ATE is reported as the most significant factor which has an impact on EI as it has 71.3% influence on EI of the students.

**Conclusion:**
Current study verifies the results of many previous studies. This study also endorses the measurement of entrepreneurial intentions through process approach in the context of Gulf environment. The findings of the study reveal that attitude towards behaviour (entrepreneurship) has most significant impact on entrepreneurial intent of the students of Ibri College of Technology, Ibri and Higher College of Technology, Muscat. The respondents’ data discloses homogeneous results for the investigation of the current model. The aspirants with positive attitude towards their personal future business endeavours demonstrate higher intent to establish it on their own. Perceived behavioural control has been testified as the second most influential predicator of entrepreneurial intentions among Omani students. Students past experience and self-efficiency regarding entrepreneurial skills inspire, influence and become guiding force to the emerging generation of students by making them embrace business as a career and take risk. The findings indicate that educational institutes are playing imperative and leading role to provide conducive milieu to the students by fostering a favourable perception in them for dreaming immeasurable prospects into entrepreneurial career as their future brace.

Subjective Norms have weaker correlation with entrepreneurial intentions among Omani students as per the results of the findings, even though there is a positively significant relationship. But lesser value of regression between subjective norms and entrepreneurial intentions reveals that students do not have ample social and family pressure on them to adopt entrepreneurial career. The overall Gulf culture is risk averse that leads to inadequate social pressure on the students for involving risk to launch their own business. Subjective norms render significant impact on students’ entrepreneurial intentions but they prove less effective in this context compared to similar impact gathered from the Western and Asian cultures.

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