

AFFECT OF INDIVIDUAL FACTORS ON YOUTH ENTREPRENEURSHIP – A STUDY OF UTTARAKHAND STATE, INDIA

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Abstract

In this study we have tried to examine the affect of individual factors like intelligence, past experiences, personality etc of professional students on their decision to take up entrepreneurship as a preferred career choice. It is a quantitative study wherein we have taken data of 530 young students studying in the final year of various professional courses of Uttarakhand state of India. The student target population chosen for this study was in the age group of 20-24 years and represented all sections of the society. The male & female ratio of this study was 75 & 25 respectively. Data analysis has been done using different statistical tools. The results showed dependence of factors like personality of a student, intelligence of a student and his past experience in business on his intention of taking up entrepreneurship as a preferred career choice.

Key words: Entrepreneurship, career choices, individual factors, youth entrepreneurship in Uttarakhand, career intentions

JEL Classification: L26, Z10

1. Introduction:

Governments and local communities across the world have recognized that key to building prosperity and stimulate regional growth is fostering entrepreneurship among their people especially youth. Youth entrepreneurship has become a topic of interest for research scholars and also a subject of major concern for the Government. While youth entrepreneurship is an under-explored field, the main factor for its growing attention is the increased number of unemployed young people furthermore entrepreneurship is seen as a channel for the talents of many highly educated young people to explore their potential and cash their business acumen. By

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2015, World Bank estimates that there will be about 3 billion youths less than 25 years old and a big portion of that will be in India. Promoting Youth entrepreneurship will not only help in reducing unemployment but more importantly showing young people that they have alternatives to create their own destiny by starting their own companies and just not waiting to find a job. A lot of constraints and perceived barriers to youth entrepreneurship have been identified like lack of capital, poor infrastructure, strict and cumbersome Government regulations, lack of guidance and awareness etc. This study tends to evaluate the individual factors governing youth entrepreneurship. A lot of work has been done to find the determinants of entrepreneurship. Different research works have stressed different determinants. For example, Shapero (1975) and Kets de Vries (1977) have stressed the importance of personality factors, psychodynamic characteristics, and the socio-cultural background in fostering entrepreneurial behavior while Miller & Friesen (1978) and Mintzberg (1973) have stressed upon the decision making and strategy factors important for promoting entrepreneurship. Bradberry (2007) envisaged that identifying one's career choice depends on one's personality traits and how one perceives a particular job. He further states that one's personality can give one a clear understanding whether or not each aspect of the profession chosen suits him or her. In this research paper, we have tried to understand the impact of personality on the career choice decision of students. People with strong general Intelligence sometimes fail at business. Conversely, there are plenty of examples of those with comparatively lower IQs who are successful in business. Not much research has been done on finding out the relationship between the intelligence of a student and his entrepreneurial orientation. The research findings by Erkan T. Demirel *et al.* (2012) indicated that the "multiple intelligence skills of entrepreneurs have a significant decisive impact on their entrepreneurial ideas." In this study we have tried to find the affect of academic intelligence on the entrepreneurship orientation of the student. Gibbons and Waldman (2004) have emphasized that Task-specific human capital has acquired skills and knowledge through on the job learning, they further explained that the reason why people conduct certain tasks more efficiently lies in the way their task-specific skills and knowledge are augmented through past experiences, irrespective of the firm or industry, in which they were employed. Accordingly we have tried to evaluate the impact of their past experiences in jobs and business on their career choice intentions specifically taking up entrepreneurship as a preferred career choice.

Purpose of the study:

In spite of the increasing recognition of entrepreneurship as a source of job creation, regional development, and economic dynamism in a rapidly globalizing world, there has been no systematic attempt to look at it from a youth angle. Youth entrepreneurship is picking up fast not only in developed countries but also in developing countries like India. Poor rate of entrepreneurship in the Uttarakhand

state may be attributed to several different factors. With the state government having provided a host of incentives for industrial development, the rate of youth entrepreneurship remains to be low. Educated, skilled & unskilled youth need to turn into entrepreneurs. According to a survey, by January 2013 there were 703,000 unemployed youngsters who were registered with different unemployment exchanges in the Uttarakhand state, desperate to take up any job. This desperation of unemployed youth was evident at a recent drive for the recruitment of home-guards in the state, when scores of post-graduates turned up for interviews. The basic requirement was only eighth standard. The state government is trying its best to foster entrepreneurship amongst the youth. Presently there is a general lack of accurate and systematic data on youth, especially as it relates to youth entrepreneurship. This study is an attempt to understand various individual factors that affect the preferred career choice decision of young students especially on becoming an entrepreneur.

2. Objective of the study:

To examine the affect of individual factors like: intelligence, past experiences, personality etc. of professional students on their decision to take up entrepreneurship as a career choice.

3. Review of Literature:

Holland's (1997) theory proposes that people are attracted to work environments that conform to their personality orientation. Holland emphasized on the alignment between personality and work environment. He proposed that individuals, whose personalities are poorly matched to their work environments, are more likely to change careers than their congruent counterparts. Chell (2008) suggests that personality traits of entrepreneurs may be important for entrepreneurship. Shepherd and Wiklund (2006) posits that the personality traits of the entrepreneur may explain entrepreneurial failure. According to Splaver (1977) It is important for you to have a good understanding of yourself and your personality, if you are to make intelligent career plans. (Ciavarella *et al.*, 2004; Zhao *et al.*, 2010) points out that personality trait have a direct effect on entrepreneurial performance measures. Personality traits of entrepreneurs may have a different effect on firm performance in case the firms are innovative (Zhao *et al.*, 2010). Individuals are seen to be productive in an industry or a firm, which is different from their previous sector of employment, provided the nature of the job remains similar. Penrose (1959) emphasized that carrying out similar tasks has important implications for cognitive processes of human beings. Simon's (1947) gave the idea of bounded rationality which refers to human limitation to process information. Under the assumption of bounded rationality, therefore, past experience influences the processing of incoming information. Witt (1998, 2000) explained that events in the environment are only

perceived and interpreted along some specific associative lines. In this sense, a cognitive frame is a schematic representation of an individual's perception of the environment built through prior learning and adaptation. Gardner (1983) argues that intelligence refers to both the personal decisions and potentials of individuals. This potential comes out or develops according to cultural environment, values and opportunities. Baum *et al.* (2001) reported a positive relationship between practical intelligence and entrepreneurial processes and entrepreneurial characteristics, which proposes that practical intelligence is one of the strengths underlying high-performance enterprises.

4. Hypotheses formulation:

1. **H₀ 1:** Personality factors like leadership, risk tolerance, drive & determination etc. does not influence the decision of students to take up entrepreneurship as a preferred career choice.
2. **H₀ 2:** Students studying different courses have different inclination towards taking up entrepreneurship as a career choice.
3. **H₀ 3:** Previous work experience of a student in job does not have any effect on his decision to take up entrepreneurship as a preferred career choice.
4. **H₀ 4:** There is no relationship between the intelligence of a student and his decision to take up entrepreneurship as a preferred career choice.
5. **H₀ 5:** Previous experience of student in business does not have any effect on his decision to take up entrepreneurship as a preferred career choice.

5. Data analysis

Each of the hypotheses generated has been individually tested using various analytical tools through SPSS 16 software.

5.1 Testing Hypothesis H₀1: Personality factors like Leadership, Drive & determination, Risk tolerance etc. does not influence the decision of student to take up entrepreneurship as a preferred career choice.

To test the above hypothesis, researcher decided to apply Chi-square test. Six personality features viz. Leadership, Risk tolerance, Drive & determination, Passion, Faith & commitment and Energy were considered to determine the personality of respondent. Five statements for each of the above personality feature were asked to determine the strength of each personality feature. The score stood 1 point for strongly agree and 5 points for strongly disagree. Thus the score varied from 30-150. Accordingly, three categories were developed between 30 and 150 on the basis of their scores as given:

Table 1: *Personality type of the respondent vis-à-vis the score of the respondent*

Score of the candidate	Personality type
30 – 60	Strong
61 – 119	Moderate
120 – 150	Weak

Table 2: Cross tabulation: *'Intention after completion of degree' and 'Personality type'*

		Personality type			Total
		Strong	Moderate	Weak	
Intention after completion of Degree	Start a new business	18	11	0	29
	Seek a suitable job	114	253	23	390
	Go for higher studies	33	45	0	78
	Not yet decided	7	25	1	33
Total		172	334	24	530

Cross tabulation displays the number of cases in each category defined by two grouping variables i.e. 'Personality type' and 'Intention after completion of Degree.' It is easy to note the frequency distribution of respondents among various categories. Total out of 530 respondents 172 respondents are placed in the Strong category, 334 are placed in the Moderate category and 24 are placed in the Weak category.

Table 3: Chi-Square Test: *Intention after completion of Degree & Personality type*

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	23.638 ^a	6	.001
Likelihood Ratio	27.153	6	.000
Linear-by-Linear Association	.418	1	.518
N of Valid Cases	530		

a. 3 cells (25.0%) have expected count less than 5. The minimum expected count is 1.31.

The above table contains the output of the Chi-Square test. df equals the number of categories minus one. A low significance value 0.001 and 0.000 of Pearson Chi-square test and Likelihood ratio respectively (typically below 0.05) indicates dependence of factor 'Personality type' on 'intention after course completion as a career choice' (i.e. entrepreneurship as career choice)

$$\chi^2_{\text{cal}} = 23.638$$

For level $\alpha = 0.05$, the cut off point for the test statistic

$$\chi^2_{\text{tab}(6,0.05)} = 12.592$$

Since the calculated value of Chi-square is greater than the tabulated value. It is evident that the variables 'Personality type' and 'Intention after completion of Degree' are dependent. Hence we reject the hypothesis at 5% level of significance. This justifies the fact that career choices, specifically being an entrepreneur, are actually getting affected by the personality type.

4.2 *Testing Hypothesis H₀₂*: Students studying different courses have different inclination towards taking up entrepreneurship as a career choice.

To test the above hypothesis, researcher has applied Chi-square test. The Hypothesis was tested on the given five professional courses viz. MBA(Master of Business Administration), MCA.(Master of Computer Application), B.Tech.(Bachelor of Technology), BHMCT(Bachelor of Hotel Management & Catering Technology) & B.Pharm.(Bachelor of Pharmacy). A selective number of final year students, based on the Proportionate Stratified sampling were taken from each course and were asked about their preference towards their career choice after the completion of their degree.

Table 4: Cross tabulation: 'Intention after completion of Degree' and 'Course'

		Course					Total
		MBA/PGDM	B.Tech.	B.Pharm	MCA	BHMCT	
Intention after completion of Degree	Start a new business	7	16	0	4	2	29
	Seek a suitable job	65	273	11	33	8	390
	Go for higher studies	13	50	10	4	1	78
	Not yet decided	5	26	0	2	0	33
Total		90	365	21	43	11	530

Cross tabulation displays the number of cases in each category defined by two grouping variables i.e. 'Course' and 'Intention after completion of Degree.' Out of a total of 530 respondents 365 respondents were the students of B.Tech, 90 respondents were the students of MBA, 43 respondents were the students of MCA, 21 respondents were the students of B.Pharm and 11 respondents were the students of BHMCT. The above data clearly indicates that a major lot among all the courses is

inclined towards seeking a job after completion of their course. However if compare the ratio of total number of students interviewed in a particular course and their intention after completion of Degree we find that the students studying MCA, BHMCT and MBA/PGDM are seen to be a little more inclined towards taking up entrepreneurship as a career choice in comparison to the rest of the courses.

Table 5: Chi-square test: 'Intention after completion of Degree' and 'Course'

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	28.155 ^a	12	.005
Likelihood Ratio	24.344	12	.018
Linear-by-Linear Association	.920	1	.338
N of Valid Cases	530		

a. 9 cells (45.0%) have expected count less than 5. The minimum expected count is .60.

The above table contains the output of the Chi-Square test. 'df' equals the number of categories minus one. A significance value of 0.005 and 0.018 of Pearson Chi-square test and Likelihood ratio respectively (typically below 0.05) indicates dependence of 'course of a student' on 'intention of career choice of student' after completion of degree

$$\chi^2_{\text{cal}} = 28.155$$

$$\chi^2_{\text{tab}(12, 0.05)} = 21.026$$

Since the calculated value of Chi-square is greater than the tabulated value. It is evident that the variables 'Course' and 'Intention after completion of Degree' are dependent. Hence we reject the hypothesis at 5% level of significance. This justifies the fact that the course of a student has an influence on his career choice decision, specifically being an entrepreneur.

4.3 Testing Hypothesis H_03 : Previous work experience of a student in job does not have any effect on his decision to take up entrepreneurship as a preferred career choice.

To test the above hypothesis, researcher has used Chi-square test. Based on their previous experience in job students were divided into four categories - Students with no experience, students with experience of less than 1 year, students with experience between 1 to 2 years and students with experience above 2 years.

Table 6: Cross tabulation: 'Intention after completion of Degree' and 'Work Experience'

		Work Experience				Total
		YES, Less than 1 year	YES, Between 1-2 years	YES, Above 2 years	No Experience	
Intention after completion of Degree	Start a new business	6	2	2	19	29
	Seek a suitable job	46	12	7	325	390
	Go for higher studies	9	3	1	65	78
	Not yet decided	2	1	0	30	33
Total		63	18	10	439	530

Cross tabulation displays the number of cases in each category defined by two grouping variables i.e. Work experience of student and Intention after completion of Degree. It is easy to note the frequency distribution of respondents among various categories. Out of a total of 530 respondents 439 respondents do not have any work experience whereas 63 respondents have experience of less than 1 year, 18 respondents have experience between 1 – 2 years and 10 respondents have experience of above 2 years. We applied Chi-square test between the variables – ‘Work experience’ and ‘intention after completion of Degree’.

Table 7: Chi-Square: ‘Intention after completion of Degree’ and ‘Work Experience’

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	10.039 ^a	9	.347
Likelihood Ratio	8.799	9	.456
Linear-by-Linear Association	2.833	1	.092
N of Valid Cases	530		

a. 8 cells (50.0%) have expected count less than 5. The minimum expected count is .55.

The above table contains the output of the Chi-Square test. ‘df’ equals the number of categories minus one. A high significance value of 0.347 and 0.456 of Pearson Chi-square test and likelihood ratio respectively (typically above 0.05) indicates that there is no relationship between the two variables.

$$\chi^2_{\text{cal}} = 10.039$$

$$\chi^2_{\text{tab}(9,0.05)} = 16.919$$

Since the tabulated value of Chi-square is greater than the calculated value, it is evident that data set obtained by the researcher confirms that variables 'Previous work experience in job' and 'Intention after completion of Degree' are independent. Hence we accept the hypothesis at 5% level of significance. This justifies the fact that previous work experience of student in job has got no relationship with the career choice intentions after completion of degree, specifically being an entrepreneur.

4.4 *Testing Hypothesis H_{04}* : There is no relationship between the intelligence of a student and his decision to take up entrepreneurship as a career choice.

To test the above hypothesis, researcher has used chi-square test. The intelligence level of a student has been identified based on his/her academic performance from Class Xth onwards. Students who have secured through out first division from Class Xth onwards have been placed in the Excellent category, those who have mostly secured either first or second division from Class Xth onwards have been placed in the Mediocre category and those who have mostly secured second and or third division from class Xth onwards were placed in Average category.

Table 8: Cross tabulation: 'Intention after completion of Degree' and 'Intelligence Level'

	Intelligence Level			Total
	High	Mediocre	Low	
Intention after Start a new completion of Degree business	10	15	4	29
Seek a suitable job	234	142	14	390
Go for higher studies	58	16	4	78
Not yet decided	23	7	3	33
Total	325	180	25	530

Cross tabulation displays the number of cases in each category defined by two grouping variables i.e. 'Intelligence level of student' and 'Intention after completion of Degree.' It is easy to note the frequency distribution of respondents among various categories. Total out of 530 respondents 325 respondents have high

intelligence level, 180 students are Mediocre and 25 students fall in the low intelligence level category.

Table 9: Chi-Square test: 'Intention after completion of Degree' and 'Intelligence Level'

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	22.655 ^a	6	.001
Likelihood Ratio	21.755	6	.001
Linear-by-Linear Association	7.196	1	.007
N of Valid Cases	530		

a. 3 cells (25.0%) have expected count less than 5. The minimum expected count is 1.37.

Table no. 9 contains the output of the Chi-Square test. A low significance value 0.001 of Pearson Chi-square test and Likelihood ratio respectively (typically above 0.05) indicates that there is a relationship between the two variables.

$$\chi^2_{\text{cal}} = 22.655$$

$$\chi^2_{\text{tab}(6,0.05)} = 12.592$$

Since the calculated value of Chi-square is greater than the tabulated value. It is evident that the variables 'Intelligence level of the student' and 'Intention after completion of Degree' are dependant. This justifies that the intelligence level of a student has an influence on his career choice intentions after completion of degree, specifically being an entrepreneur

4.5 *Testing Hypothesis H₀₅*: Previous experience of student in business does not have any effect on his decision to take up entrepreneurship as a career choice.

To test the above hypothesis, researcher has used Chi-square test. A direct question regarding whether they have any prior experience of doing business was asked from the students.

Table 10: Cross tabulation: 'Intention after Degree' and 'Prior Experience in Business'

		Prior Experience in Business		Total
		Yes	No	
Intention after completion of Degree	Start a new business	11	18	29
	Seek a suitable job	57	333	390
	Go for higher studies	12	66	78
	Not yet decided	2	31	33
Total		82	448	530

Cross tabulation displays the number of cases in each category defined by two grouping variables i.e. 'Prior experience in business' and 'Intention after completion of Degree.' It is easy to note the frequency distribution of respondents among various categories. Total out of 530 respondents 82 respondents had prior experience of doing business while rest 448 respondents had no prior experience of doing business.

Table 11: Chi-Square test: 'Intention after completion of Degree' and 'Prior Experience in Business'

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	13.639 ^a	3	.003
Likelihood Ratio	11.629	3	.009
Linear-by-Linear Association	5.835	1	.016
N of Valid Cases	530		

a. 1 cells (12.5%) have expected count less than 5. The minimum expected count is 4.49.

The above table contains the output of the Chi-Square test. 'df' equals the number of categories minus one. A low significance value 0.003 & .009 of Pearson Chi-square test and Likelihood ratio respectively (typically below 0.05) indicates that there is a relationship between the two variables.

$$\chi^2_{\text{cal}} = 13.639$$

$$\chi^2_{\text{tab}(3,0.05)} = 7.815$$

Since the calculated value of Chi-square is greater than the tabulated value. It is evident that variables - 'Prior experience in business' and 'Intention after completion of Degree' are dependent. Hence we reject the hypothesis at 5% level of significance. This justifies the fact that there is an influence of student's prior experience in business on his career choice intentions after completion of degree, specifically being an entrepreneur.

5. Results and conclusion

Research indicated that variables 'Personality type' and 'Career choice intention after completion of Degree' were dependent. Stronger the personality of a student more inclined he is towards taking up entrepreneurship as a career. The course of a student which he is studying also has an influence on his decision to become an entrepreneur. The students of BHMCT, MCA and MBA/PGDM were seen to be little better inclined towards entrepreneurship than the rest of the courses. One of the possible reasons could be the presence of Entrepreneurship subject taught in the MBA/PGDM and BHMCT courses. The previous work experience of student in job has got no relationship with the intention of student to become an entrepreneur after completion of degree. The prior experience of a student in business, however, has an influence on the student's decision to take up entrepreneurship as a career option. Students who had an earlier experience of doing business were seen to be less inclined towards taking up entrepreneurship as a career choice. It means that they probably did not have a good past experience of doing a business and they did not want to repeat that experience. The Chi-square test done to find out the association between the academic intelligence and career choice intention of becoming an entrepreneur revealed that there is an influence of intelligence level of student on his career choice intentions of becoming an entrepreneur.

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