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THE EFFECT OF PERCEIVED UNIVERSITY SUPPORT AND PERCEIVED INSTITUTIONAL SUPPORT ON ENTREPRENEURIAL INTENTIONS

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ABSTRACT

Despite efforts taken to nurture entrepreneurship among young graduates in Sri Lanka, graduates still tend to show greater preference for paid employment over self-employment. This phenomenon is true for both students passing out from business as well as non-business degree programmes. Recent studies on entrepreneurial intention indicates that the effect of contextual factors such as university support and institutional support for entrepreneurship could enhance the entrepreneurial activities among students. Thus, the current study explored the effect of perceived university support and perceived institutional support for entrepreneurship on an individual's entrepreneurial intention. A sample of 234 immediately passed out students from Sri Lankan state universities took part in the study and data was analysed using structural equation modelling. Findings showed that both perceived university support as well as perceived institutional support have had a significant positive effect on entrepreneurial self-efficacy, while entrepreneurial self-efficacy had a significant positive impact on entrepreneurial intention. These findings revealed the importance of university support and institutional support to foster entrepreneurship among graduates in Sri Lanka. The study recommends practical implications for government policy makers and other stakeholders in higher education sector. Steps should be taken to improve university support for entrepreneurship beyond mere entrepreneurship education. Further, policy makers should create a favourable and supportive institutional environment in order to enhance student's entrepreneurial intention.

Key Words: Perceived university support, Perceived institutional support, Entrepreneurial intention, Entrepreneurial self-efficacy.

1. Introduction

Increasing levels of unemployment among graduates have made higher education establishments to emphasis on orientating students for entrepreneurship (Henry et al., 2005). Recent statistics indicate that youth unemployment as a proportion of total unemployment in Sri Lanka is 50.5% demonstrating that half the unemployed people are youth (Department of Census and Statistics, 2017). Beeka and Rimmington (2011) state that entrepreneurship is one of the career options undergraduates consider shortly before or immediately after graduation. Therefore, researchers suggest that entrepreneurship should be considered as a solution for the unemployment problem among young graduates. Regardless of efforts the taken to foster entrepreneurship among graduates in Sri Lanka, graduate employability surveys have shown greater preference for paid employment over self-employment (Hettige et al., 2004; Ibarguen & Cader, 2005). A tracer study report of graduates showed that overall, only 1.5% preferred self-employment (Ramanayake et al., 2013). Thus, it is important to explore what factors could enhance the tendency of graduates to take up entrepreneurship as a career option.

Entrepreneurship literature brings about several theories which explains formation of entrepreneurial intention. Out of which, Social Cognitive Career Theory (SCCT) (Lent et al., 2002) captures both individual as well as contextual factors to explain career intention formation (Pfeifer et al., 2016). The role of context on entrepreneurial intention has received considerable attention in recent studies (Fayolle & Linan, 2014). Although previous studies have considered students studying business management to explore entrepreneurship education aspects, university support on entrepreneurship has been relatively unexplored among non-business students (Trivedi, 2016). Consequently, there have been limited studies that have explored the effect of perceived support by government and universities for entrepreneurship on entrepreneurial intention in the Sri Lankan context. Therefore, the purpose of this study is to analyse the effects of perceived institutional and perceived university support on entrepreneurial intentions through entrepreneurial self-efficacy.

The study will bring significant contribution to literature on entrepreneurial intentions as it explores the effects of perceived institutional and university support for entrepreneurship to explain the formation of entrepreneurial career intentions in non-business students. Further, the study brings about managerial implications, where it provides insights to policymakers and other stakeholders involved in higher education on the perception of support received for entrepreneurship by graduands and whether or not the level of perceived support for entrepreneurship by universities and institutes aids in entrepreneurial career intention formation in individuals.

2. Literature review

Entrepreneurship is explained as a process which involves creation of ventures and it is viewed as an intentional and a planned behaviour (Krueger, 1993). Entrepreneurial intention is defined as a self-acknowledged belief by individuals who intend to set up a new business at some point in their life (Thompson, 2009). SCCT (Lent et al., 2000) has been used as a theoretical base to understand entrepreneurial career intention in recent literature. The construct career goal is conceptualised as the intention to involve in a

specific behaviour. In the domain of entrepreneurship, entrepreneurial self-efficacy is described as a persons' belief that he or she has the ability and skill to successfully create a business venture (Wilson et al., 2007). This concept reflects upon a person's perception of their ability and skills to perform a specific task. This reveals about the inner thoughts of an individual, whether a person truly believes him/her would have the required skill and ability to perform a specific task (Bandura, 1997). Entrepreneurial self-efficacy is considered a vital and a strong predictor of the decision of becoming an entrepreneur (Miao et al., 2017).

Wang & Wong (2004) states that students dream of becoming an entrepreneur may not be a reality if they lack adequate preparation to set up a business venture. However, the effectiveness of support for entrepreneurship through mere entrepreneurial education has been criticised, thus researches have looked at specific support for entrepreneurship within higher education institutes. The construct perceived university support comprises of three types of university support (Kraaijenbrink et al., 2010; Saeed et al., 2013). Perceived educational support refers to teaching and fostering general knowledge and skills related to entrepreneurship. Perceived business development support reflects upon the support with respect to commercialization of a business idea. This support is quite essential, as studies have shown financial barriers to be one of the key interferences for student entrepreneurship (Henderson & Robertson, 2000). Concept development support reflects the provision of awareness on business and motivating venture creation (Saeed et al., 2013)

Entrepreneurship literature suggests that political factors could affect entrepreneurial behaviour, particularly a country's governmental institutional structure and policies may affect entrepreneurship (Ingram & Silverman, 2002). The construct, perceived institutional support refers to the perception of the support received for entrepreneurship by the state or government. This aspect highlights how students perceive the support by a country's government to undertake entrepreneurship. Further, institutional support aspects include, provision of opportunities for entrepreneurs, ease of taking bank loans and rules and regulations supporting running a business in the specific country context (Saeed et al., 2013; Turker & Selcuk, 2009). Studies have specified that based on the level of perceived support, individuals' intention for entrepreneurship may differ, suggesting that, if a particular country performs strict and hostile policies for business start-ups, individuals might show lower tendencies for entrepreneurship (Saeed et al., 2013).

Self-efficacy which is a key element of SCCT has been found to have a higher predictive power in explaining career goals. In the domain of entrepreneurship, the role of self-efficacy has been widely emphasised with career preferences in entrepreneurship, and entrepreneurial intent (Boyd & Vozilkis, 1994). Self-efficacy was found to have a substantial effect on career choice where, individuals' perceived capability is directly linked to entrepreneurial intentions (Zhao et al., 2005). This relationship has been validated by many entrepreneurial intention studies (Linan & Chen, 2009; Saeed et al., 2013; Pfeifer et al., 2016). Previous studies have shown higher self-efficacy levels to have a positive relationship with entrepreneurial intentions (Krueger et al., 2000; Zhao et al., 2005). Therefore, the following hypothesis is proposed;

H1: Entrepreneurial self-efficacy impacts on entrepreneurial intention

Academics have presented contextual support factors to have an impact on self-efficacy beliefs and in turn, this influence affects specific career interests and goals (Lent et al., 1994). This relationship is supported in SCCT as it explains the effect of support factors on self-efficacy. Studies have shown entrepreneurship education to have a significant association with entrepreneurial intention (Nabi & Linan, 2011), where many have found a positive relationship between entrepreneurial education and entrepreneurial intention (Fini et al., 2009). A recent study by Saeed et al. (2013) illustrates a link between all three aspects of perceived university supports with entrepreneurial self-efficacy. International SCCT research has pointed out that many studies have explored the mediating role of self-efficacy for contextual support factors (Sheu & Bordon, 2017). Thus, considering prior literature support and suggestions, the following hypothesis is drawn;

H2: Perceived university support impacts entrepreneurial self-efficacy

Institutional support reflects upon a country's governmental support, particularly the policies and regulations aimed at fostering entrepreneurship (Turker & Selcuk, 2009). Research has shown that higher perceived institutional support has a positive effect on entrepreneurial self-efficacy (Saeed et al., 2013). If the institutional environment is hostile with lack of support, the inclination to involve in entrepreneurship activities will hinder (Turker & Selcuk, 2009). Thus, if individuals perceive the government support for entrepreneurship to be unfavourable, especially for new business start-ups, their belief in their ability and skill to perform such activities would negatively get affected, thus, the following hypothesis is drawn,

H3: Perceived institutional support impacts entrepreneurial self-efficacy

Based on the hypotheses drawn the study presents the conceptual model as shown in figure 1.

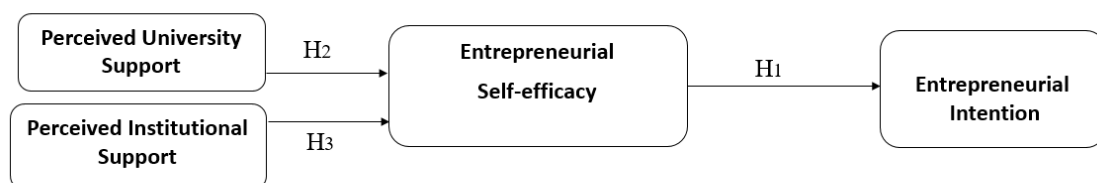


Figure 1: Conceptual model

Source: Author constructed

3. Methodology

The study adopts a deductive approach. The population of the present comprises of immediately passed out agriculture students from Sri Lankan state universities. A pilot study was conducted before data collection to assess the validity and reliability aspects of the survey instrument. A sample of 234 individuals was drawn. The unit of analysis of the current study is an individual agriculture graduand. Data were collected through self-administered structured questionnaires. Entrepreneurial intention was measured using one of the most common scales used in entrepreneurial intention studies, the six-item, seven-point likert scale by Linan and Chen (2009). Entrepreneurial self-efficacy was

measured using a five-item scale by Zhao et al. (2005) which captures an individual's entrepreneurial self-efficacy on a seven-point likert scale. The construct perceived university support which comprise of three dimensions; perceived educational support, perceived concept development support and perceived business development support, was measured using a 13 item, five-point likert scale (Kraaijenbrink et al., 2010; Saeed et al., 2013). To measure perceived institutional support, the study adopted the scale developed by Turker and Selcuk (2009) to measure the perceived institutional support. The scale comprises of four items, measured using a seven-point likert scale.

4. Data analysis and results

Data was first tested for accuracy and precision. The IBM Statistical Package for Social Science software was used for this purpose. Based on demographic profile of the sample of the study, there were more female student responses (74.8%) than that of male responses (25.2%). Majority of the students belonged to 24-27 age category. With respect to the employment status of the immediately passed out students, 43.6 % were found to be full-time employed, while (45.7%) were unemployed at the time of the study. The measurement model was tested using AMOS in order to determine the validity and reliability of variables. Average Variance Extracted (AVE) and Composite Reliability (CR) were assessed to ensure convergent validity of the latent variables (Hair et al., 2019). Convergent validity was assessed by filtering factor loading items that were greater than 0.45 (Galahitiyawe & Jayakody, 2019). Items that had values less than 0.45 were removed. Reliability was measured using Cronbachs' alpha.

Structural equation modelling was carried out to test the hypotheses in the study. The goodness of fit values of structural model were within the accepted levels which indicated a good model fit for the structural models developed in the study. The current study was carried out to explore the role of perceived institutional support and perceived university support on entrepreneurial intention through self-efficacy. Figure 2 indicates the structural model.

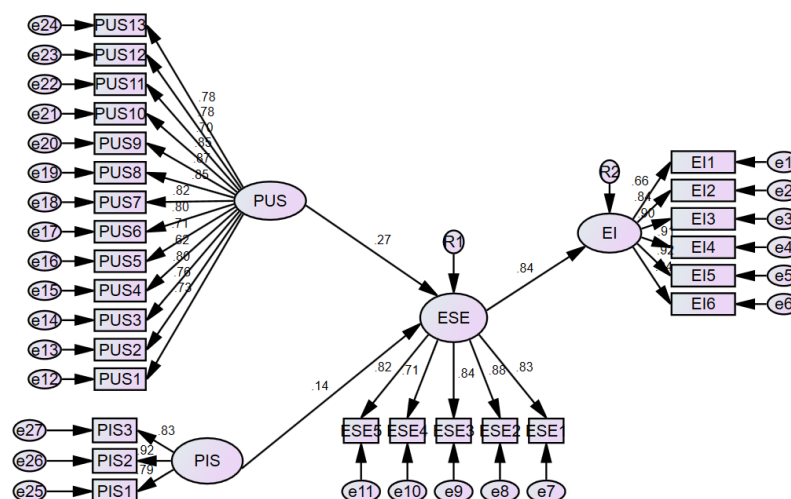


Figure 2: Structural model

Source: Author constructed

Based on results, there was a significant and positive effect on entrepreneurial self-efficacy ($\beta = 0.835$, $p = 0.000$), on entrepreneurial intention at 0.05 significance level. Thus, H1 was supported. The effect of perceived university support on entrepreneurial self-efficacy (H2) indicated a significant positive effect ($\beta = 0.269$, $p = 0.000$) and the effect of perceived institutional support on entrepreneurial self-efficacy (H3) too indicated a significant positive effect ($\beta = 0.137$, $p = 0.048$) at 5 percent significance level.

Table 1: Hypothesis testing

Hypothesis	Relationships	Std. β value	P value	
H1	ESE \rightarrow EI	0.835	0.000	Supported
H2	PUS \rightarrow ESE	0.269	0.000	Supported
H3	PIS \rightarrow ESE	0.137	0.048	Supported

Source: Author constructed

Notes: EI – Entrepreneurial Intention, ESE - Entrepreneurial self-efficacy, PUS Perceived University Support, PIS - Perceived Institutional Support

With respect to the effect of university support, a vast amount of research has indicated and confirmed a positive impact of entrepreneurship education in fostering entrepreneurship (Potishuk & Kratzer, 2017). Previous research has found that perceived university support relates to entrepreneurial intent only through perceived behavioural control, (Trivedi, 2016). As perceived behavioural control has been considered similar to self-efficacy, this finding justifies the results which indicated effect of university support on entrepreneurial self-efficacy. The current study validates a similar finding with respect to developing country context, and especially with respect to non-business (Agriculture) students. Thus, it is consistent with previous entrepreneurship education literature. The present study establishes the capacity of university entrepreneurship support to influence entrepreneurial intentions through entrepreneurial self-efficacy (Kraaijenbrink et al., 2010; Wang & Wong, 2004). Based on current study findings one can argue, that even in the Sri Lankan context, university support, which comes in educational support, concept development support and business support forms for entrepreneurship can enhance their perceived ability and skill to engage in entrepreneurship, which in turn enhances the likelihood of a graduate to set up their own businesses.

Previous studies have emphasised the importance of a country's institutional profile on the level of entrepreneurial activity (Busenitz et al., 2000). According to results, there is a positive effect of institutional support on entrepreneurial self-efficacy. This is in line with previous research which has indicated that if individuals perceive favourable institutional support for development of entrepreneurship, their willingness to set up a business will be high (Turker & Selcuk, 2009). The current study thus captures two very important contextual support aspects for entrepreneurship; perceived educational support and perceived institutional support for entrepreneurship, proving that an individual's perception of support for entrepreneurship has an impact on self-efficacy, which in turn affects entrepreneurial intention. This indirect effect of contextual variables through self-efficacy has been found to better fit to data than the direct effect with respect to SCCT (Lent et al., 2003). Effect of entrepreneurial self-efficacy indicated a strong positive effect on entrepreneurial intention. This finding is supported in many previous literature in the field of entrepreneurship, thus demonstrating the importance of entrepreneurial self-efficacy in prediction of entrepreneurial intention (Boyd & Vozikis, 1994; Krueger et al.,

2000). Self-efficacy is important because, if a person believes in his or her skills to set up and manage a business, chances are it is most likely he/she will pursue the task.

The findings of the study demonstrate an empirical significance in entrepreneurship intention literature in the Sri Lankan context, as the effect of perceived institutional support and perceived institutional support on entrepreneurial intent has been relatively unexplored in the Sri Lankan context. The study captured three types of university support; entrepreneurship education, concept development and business development support and its influence on entrepreneurial intention. It was revealed how a student perceives each of the support aspects by universities for entrepreneurship and how such perceived university support could positively influence their belief in entrepreneurial skill and ability, which eventually influence their entrepreneurial intent. In addition, the study provided insights on entrepreneurial intentions of Agriculture graduates, as most studies have focused on business student's intention, non-business student's self-employment have been relatively unexplored.

5. Conclusion and Implications

The current study aimed at contributing to the existing knowledge on entrepreneurship literature by exploring the effects of contextual support aspects to explain entrepreneurial career intention formation. Perceived university support and perceived institutional support on entrepreneurship have a positive influence on entrepreneurial self-efficacy. Thus, the current study confirms the vital role of perceived institutional and university support in shaping up an individual's intent to become an entrepreneur. Further, the study emphasises managerial implications, to policymakers and other government and higher education institute stakeholders. Higher education institutes can frequently assess the support given by them and inspect if students perceive the support given for entrepreneurship. Based on such assessments, curriculum development as well as other customised programmes, technology driven teaching can be offered to foster entrepreneurship. With respect to positive influence of perceived institutional support for entrepreneurship, government policymakers should take this into consideration when trying to promote graduate entrepreneurship in Sri Lanka, much care should be taken when developing and implementing policies. If students perceive that the institutional framework and structures are favourable for entrepreneurship within the country, the chances of graduate entrepreneurship would be higher.

One of the major limitations in intention-based studies is that the study limits at assessing at intention level, thus the actual behaviour is not observed. Longitudinal studies need to be carried out to assess the entrepreneurial behaviour of graduates over time. Further, the effect of these support aspects and entrepreneurial intention should be explored on immediately passed out students from other fields of studies to obtain an overall idea university and institutional support students perceived in the current university and government setting. Given the number of students who pass out from Agriculture related degree programme alone in Sri Lanka every year, if proper university support and institutional support is provided for entrepreneurship, the country would be able to produce innovate Agri-entrepreneurs who will set up novel Agribusiness ventures which could eventually enhance the Agriculture sector and help contribute to economic development of the country.

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