



Self-Efficacy and Self-Independence in Promoting Self-Employment Intention among University Students

Ramraini Ali Hassan¹, Mimi Zarina Bakri²

¹Senior Lecturer, Faculty of Business, Economics and Accountancy, Universiti Malaysia Sabah, Jalan UMS, 88400, Kota Kinabalu, Sabah, Malaysia.

² Postgraduate Student, Faculty of Business, Economics and Accountancy, Universiti Malaysia Sabah, Jalan UMS, 88400, Kota Kinabalu, Sabah, Malaysia.

Abstract

The purpose of this study is to examine the role of self-efficacy and self-independence in promoting self-employment intention among university students. This study is developed based on entrepreneurial intention described by Ajzen's Theory of Planned Behaviour (TPB) (Ajzen, 1991) and Shapero and Sokol (1982). Although the evidence showed that one-third of new entrepreneurs in the United States were those individuals with the ages of 30 and below (Kuratko, 2005) but still not all graduate students are willing to choose entrepreneurship as their career. There are still a limited number of students who are willing to start a business soon after they graduate from the university (Hisrich and Peters, 2002). Therefore, it is the aim of this study to investigate both roles of self-efficacy and self-independence in influencing the decision to choose self-employment as a career among university students. The respondents for this study were university students in Sabah, Malaysia. 400 questionnaires were distributed in this study resulting only in 260 usable questionnaires. Based on the results of this study, it was found that both self-efficacy and self-independence have a significant relationship with self-employment intention. This study, therefore, through its research and findings has contributed significantly to both theoretical and practical implications. This study is able to provide the information on the factors that determine self-employment career among university graduates.

Keywords: Self-efficacy; self-independence; self-employment intention.

1. Introduction

Entrepreneurship is believed to have contributed significantly in the increase of the number of jobs created all over the world thus reducing the unemployment rate of most nations. This has also reduced the unemployment rate among university graduates. As a result, the Malaysian government has launched a program called 1Malaysia Young Entrepreneurs Challenge (1MYEC) on the 28th of March 2011. The objectives of this program are to promote entrepreneurial spirit among university students as well as to urge those students to take part in entrepreneurship activities (MITI, 2011). This effort is also seen as one of that methods used in promoting entrepreneurial intention among graduates. At the same time, encouraging them to choose self-employment as their career.

Research on entrepreneurial intention has gained significant attention over the last few years (Kolvereid, 1996). Most previous studies described entrepreneurial intention according to Ajzen's Theory of Planned Behaviour (TPB) (Ajzen, 1991). Shapero and Sokol (1982) also developed a model of 'entrepreneurial event formation' which focused on the life-path changes and its impact on a person's perceptions of desirability and perceptions of feasibility. This model explained the life changes (displacement) towards entrepreneurial intention and behavior. It is believed that perception of desirability or self-efficacy play a major role in promoting entrepreneurial intention

among individuals. Apart from that, self-actualization, independence and greater satisfaction can also stimulate entrepreneurial intention among individuals (Baughn et al, 2006).

2. Literature Review

Entrepreneurship is believed to have been able to motivate an individual towards self-employment career particularly those individuals at the age of 30 and below. In the United States, for instance, one-third of new entrepreneurs were those individuals within the age of 30 and below (Kuratko, 2005). However, not all graduate students are willing to choose entrepreneurship as their career. There are still a limited number of students who are willing to start a business soon after they graduate from the university (Hisrich and Peters, 2002).

2.1 Self-Employment Intention

Self-employment is a situation in which an individual is faced with two career options on whether to be a self-employed or employed in an organization (Kolvereid and Isaksen, 2006). Self-employment intention, on the other hand, is an individual decision to become an entrepreneur (Achchuthan and Nimalathasan, 2012) and is seen as the first step in a process of creating new organization (Lee and Wong, 2004). Previous study often associates the term 'self-employment intention' with 'entrepreneurial intention'. In fact, it is often described that both terms as having the same meaning. Douglas and Shepherd (2002) stated that entrepreneurial intention is similar to the intention to get involved in a self-employment career. According to Tkachev and Kolvereid (1999), entrepreneurial intention is a person's willingness to take part in an entrepreneurship activity, or in other words, to become self-employed.

2.2 Self-Efficacy and Self-Employment Intention

Self-efficacy is one of the main components described in an entrepreneurial intention model (Boyd and Vozikis, 1994; Ajzen, 2002; and Segal et al, 2005). Based on Shapero-Krueger framework (Krueger et al, 2000), entrepreneurial self-efficacy is an appropriate proxy for perceived feasibility. Perceived feasibility is a person's perception of available resources such as knowledge, financial and social support (Shapero and Sokol, 1982) that can help in the pursuit of entrepreneurial activity.

2.3 Self-Independence and Self-Employment Intention

Douglas (1999) argued that there is a relationship between an intention to start a business with a person's attitude towards income, independence, risk and work effort. Douglas (1999) further added that, a person with positive attitude in independence (autonomy) and risk is considered as having high tendency to become an entrepreneur. Begley (1995) also supported that an entrepreneurial person tend to have high tendency in risk tolerant and have a desire to be more independent as compared with non entrepreneurial person.

3. Methodology

The respondents of this study were university students located in Kota Kinabalu, Sabah, Malaysia. This study employed a survey design. Convenience sampling was used to collect data in this study. A total of 400 questionnaires were distributed. Usable questionnaires were 260 with a response rate of 65%.

4. Results

4.1 Factor Analysis

Factor analysis is a common method used to measure the validity of instruments in research. Factor analysis is a data reduction technique used to reduce a large number of variables to a smaller set of underlying factors that summarize the essential information contained in the variables. Hence, the purpose of factor analysis is to reduce the number of variables in the analysis by using a surrogate variable or factor to represent a number of variables, while at the same time retaining the variance that was present in the original variables. Factor analysis was conducted on self-efficacy constructs, self-independence constructs and self-employment intention constructs. All constructs have high Kaiser-Meyer-Olkin value which is greater than 0.6 and factor loadings for all items were greater than 0.35 (N=260).

4.2 Factor analysis for Self-Efficacy

As shown in Table 1, Kaiser-Meyer-Olkin test for self-efficacy is 0.892 which is greater than 0.6 and Bartlett's test also significant ($p < 0.05$). This means that factor analysis for self-efficacy is appropriate. Factor analysis for this sample has one component only and factor loadings is also greater than 0.35.

| Table 1: Factor Analysis for Self-Efficacy | | |
|---|--------------------|----------|
| KMO and Bartlett's Test | | |
| Kaiser-Meyer-Olkin Measure of Sampling Adequacy | | .892 |
| Bartlett's Test of Sphericity | Approx. Chi-Square | 1136.577 |
| | df. | 45 |
| | Sig. | .000 |

| Items | Factor Loadings | |
|---|------------------------|--|
| | F1 | |
| Entrepreneurial Self-Efficacy | | |
| I believe I can successfully develop a new business | .817 | |
| I believe I can establish and achieve goals and objectives related to a new business ventures | .804 | |
| I believe I can identify new business opportunities | .738 | |
| I believe I can identify potential new venture funding | .711 | |
| If I wanted to, I believe I could successfully start my own business | .708 | |
| I believe I can think creatively in business | .699 | |
| I believe I can identify and build a management team to develop a business | .690 | |
| I believe I can inspire those I work with to share my business vision | .677 | |
| I believe I can tolerate unexpected changes in business conditions | .668 | |
| I believe I can work productively under continuous stress and pressure from work | .550 | |

4.3 Factor Analysis for Self-Independence

As shown in Table 2, KMO test for self-independence is 0.744 and Bartlett's test also significant ($p < 0.05$). There is only one component for factor analysis and all factor loadings are greater than 0.35.

| Table 2: Factor Analysis for Self-Independent | | |
|--|--------------------|---------|
| KMO and Bartlett's Test | | |
| Kaiser-Meyer-Olkin Measure of Sampling Adequacy | | .744 |
| Bartlett's Test of Sphericity | Approx. Chi-Square | 269.888 |
| | df. | 10 |
| | Sig. | .000 |

| Items | Factor Loadings | |
|---|------------------------|--|
| | F1 | |
| Self-Independent Motive | | |
| I believe I can make decision independently | .789 | |
| I believe I can be independent | .787 | |
| I believe realizing my own dream is crucial | .724 | |
| I believe personal freedom is important in self-employment career | .688 | |
| I believe I can become a boss in my own business | .422 | |

4.4 Factor Analysis for Self-Employment Intention

As shown in Table 3, KMO test for overall sample is 0.928 which is greater than 0.6 and is significant for Bartlett's test. Factor analysis has only one component and all factor loadings are greater than 0.35.

| Table 3: Factor Analysis for Overall Sample | | |
|---|--------------------|----------|
| KMO and Bartlett's Test | | |
| Kaiser-Meyer-Olkin Measure of Sampling Adequacy | | .928 |
| Bartlett's Test of Sphericity | Approx. Chi-Square | 2098.486 |
| | df. | 45 |
| | Sig. | .000 |

| Items | Factor Loadings |
|---|-----------------|
| | F1 |
| Self-Employment Intentions | |
| My professional goal is to become an entrepreneur | .883 |
| I am prepared to do anything to be an entrepreneur | .860 |
| I have thought seriously to start my own business after completing my study | .837 |
| I am determined to create a firm in the future | .828 |
| I will start my business in the next five years | .826 |
| I have a strong intention to start a business someday | .825 |
| I'll put every effort to start and run my own business | .823 |
| I prefer to be an entrepreneur rather than to be an employee in a company | .799 |
| I will start my business in the next ten years | .766 |
| I want to be my own boss | .715 |

4.5 Reliability for Each Variable

Reliability test was performed to examine whether the data is "good" enough for inferential statistical analysis as well as to measure the accuracy, precision and consistency of the data (Cooper and Schindler, 2006). The most popular method to test the goodness of data is Cronbach's alpha. According to Sekaran (2003), Cronbach's alpha is defined as "a reliability coefficient that indicates how well the items in a set are positively correlated to one another". Coefficient alpha has values from 0 to 1.0 and the general rule of thumb for Cronbach's alpha is that it must be above 0.70 in order to be deemed as adequate. According to Sekaran and Bougies (2010), coefficient alpha values that less than 0.6 is considered poor, if the value is 0.7 is considered as acceptable, if the value is 0.8 is considered as good while greater than 0.9 is considered as very good.

| Table 4: Reliability Test for Each Factor for Overall Sample | | | |
|--|------------------|--|------------|
| Constructs | Cronbach's Alpha | Cronbach's Alpha Based on Standardized Items | N of Items |
| Self Efficacy | .888 | .889 | 10 |
| Self-Independence | .685 | .720 | 5 |
| Self-Employment Intentions | .944 | .944 | 10 |

Table 4 shows the reliability test result for this study. All factors had values greater than 0.7 with self-independence had the lowest reliability (0.720) and self-employment intention had the highest reliability (0.944).

4.6 Multiple Regressions and Hypothesis Testing

According to Black (2004), regression analysis is the process of constructing a mathematical model which can be used to predict one variable by another variable. Dependent variable is the variable which needs to be predicted and designed as *y*, meanwhile independent variable is the variable which is used to predict the dependent variable and designed as *x*. Multiple regression is a multivariate linear regression which involves two or more independent variables and dependent variable.

| Table 5: Summary of Multiple Regressions | | | | | |
|--|-------------------|----------|-------------------|----------------------------|---------------|
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
| 1 | .699 ^a | .488 | .484 | .68959 | 1.562 |
| a. Predictors: (Constant), Mean_Self Ind, Mean Self Efficacy | | | | | |
| b. Dependent Variable: Mean_Self Emp Intention | | | | | |

| Regression Analysis for Self-Efficacy and Self-Independence | | | |
|---|-----------------|--------|-------|
| Variables | Overall (n=260) | | |
| | β | t | Sig. |
| Self-Efficacy | 0.631 | 12.518 | 0.000 |
| Self-Independent | 0.126 | 2.497 | 0.013 |

Hypothesis 1: There is a significant relationship between self-efficacy and self-employment intention.

As shown in Table 5, R-square is 0.488 which means that 48.8% of the variation in self-employment intention can be explained by the variation of self-efficacy for overall sample. Meanwhile, self-efficacy significantly predicts self-employment intention with p-value, 0.000 ($p < 0.05$). Therefore, Hypotheses 1 is accepted.

Hypothesis 2: There is a significant relationship between self-independence and self-employment intention.

As shown in Table 5, R-square is 0.488 which means that 48.8% of the variation in self-employment intention can be explained by the variation of self-independence. In Table 5, self-independencies significantly predicts self-employment intention with a p-value, 0.013 ($p < 0.05$). Therefore, Hypothesis 2 is accepted.

5. Discussion and Analysis

The paper discusses the role of both self-efficacy and self-independence in promoting self-employment intention among graduates. Hypothesis 1 predicts a relationship between self-efficacy with self-employment intention. This study found that this hypothesis was supported. This result is consistent with previous research highlighted by Kolvereid and Isaksen (2006), Linan et al (2005), Kristiansen and Nurul (2004); and Krueger et al (2000). De Noble et al (1999) stated that individuals with high entrepreneurial self-efficacy tend to have high level of entrepreneurial intention. Hypothesis 2, in this study, assumed that there is a relationship between self-independence and self-employment intention. This study also supports this hypothesis. This is in line with a study conducted by Douglas and Shepherd (2000) which stated that individuals with positive attitude actually have a tendency to have a high independence. In addition to that, the results of this study support the model of Ajzen's Theory of Planned Behavior (1991) and Shapero and Sokol's Entrepreneurial Event (1982). Both theories were used in this study to explain as an entrepreneurial intention towards self-employment intention.

In conclusion, the findings of this study provide an understanding on students' entrepreneurial self-efficacy and students' self-independence towards self-employment intention. Results of this study show that both factors were able to promote students' entrepreneurial intention soon after they graduate from university. Thus, it is important to relate both self-efficacy and self-independence in an effort to promote self-employment career among university graduates.

References

- [1] Achchuthan , S.& Nimalathasan, B. (2012). Entrepreneurial motivation and self- employment intention: case study on management undergraduates of university of Jaffna. In C.N. Wickramasinghe & W.M. madururupperuma (Eds), *Serious in Management Business(Economics and Entrepreneurship)*. University of Kellaniya, SriLanka, 77-90.
- [2] Ajzen, I. 1991. The theory of planned behavior. *Organizational Behavior and Human Decision Processes*. 50(2):179-211.
- [3] Ajzen, I. 2002. Perceived behavioral control, self-efficacy, locus of control, and the theory of planned behavior. *Journal of Applied Social Psychology*. 32:1-20Baughn, C.C., Cao, J. S. R., Le, L. L. M., Lim, V. A., & Neupert, K.E. 2006. Normative, social and cognitive predictors of entrepreneurial interest in China, Vietnam and the Philippines. *Journal of Developmental Entrepreneurship*, 11(1):57-77.
- [4] Begley, T. 1995. "Using founder status, age of firm and company growth rate as the basis for distinguishing entrepreneurs from managers of smaller businesses, *Journal of Business Venturing*. 10(3):249-263.
- [5] Black, K. 2004. *Business statistics for contemporary decision making*. Singapore: John Wiley and Sons.
- [6] Boyd, N.G. and Vozikis, G.S. 1994. The influence of self-efficacy on the development of entrepreneurial intentions and actions. *Entrepreneurship Theory and Practice*, 18(4):63-67.
- [7] Douglas, E.J. 1999. "Entrepreneurship as a career choice: attitudes, entrepreneurial intentions, and utility maximization", *Frontiers of Entrepreneurship Research*, Babson College, Wellesley, MA.
- [8] Douglas, E. J., and Shepherd, D.A. 2000. Entrepreneurship as a utility maximizing response. *Journal of Business Venturing*. 15(3):231-252.
- [9] Douglas, E.J. and Shepherd, D.A. 2002. Self-employment as a Career Choice: Attitudes, Entrepreneurial Intentions, and Utility Maximization, *Entrepreneurship Theory and Practice*, 26(3):81-90.
- [10] Hisrich, R. and Peters, M. 2002. *Entrepreneurship* (5th ed.). McGraw-Hill. NY.
- [11] Kolvereid, L. 1996. Prediction of employment status choice intentions. *Entrepreneurship Theory and Practice* 21: 47-57.
- [12] Kolvereid, L. & Isaksen, E. 2006. "New business start up and subsequent entry into self-employment". *Journal of Business Venturing*. 21:566-885.
- [13] Kristiansen, S., & Nurul Indarti. 2004. Entrepreneurial Intention Among Indonesian and Norwegian Students. *Journal of Enterprising Culture*. 12(1), 55–78
- [14] Krueger, N.F., M.D. Reilly and A.L. Carsrud. 2000. Competing models of entrepreneurial intentions. *Journal of Business Venturing*. 15(5-6):411-432.
- [15] Kuratko, D. 2005. The emergence of entrepreneurship education: Development, trends, and challenges, *Entrepreneurship Theory and Practice*, September.
- [16] Lee, S. and Wong, P. 2004. An exploratory study of technopreneurial intentions: a career anchor perspective, *Journal of Business Venturing*. 19:7-28.
- [17] Liñán, F., Rodríguez, J. C., & Rueda-Cantuche, J. M. Factors affecting entrepreneurial intention levels. 45th Congress of the European Regional Science Association, Amsterdam, 23-27 August 2005.
- [18] MITI Weekly Bulletin. 2011. "Malaysia - Towards Global Competitiveness", MITI Weekly Bulletin. 136.
- [19] Segal, G., Borgia, D. and Schoenfeld, J. 2005. The motivation to become an entrepreneur. *International Journal of Entrepreneurial Behaviour & Research*, 11(1):42-57.
- [20] Shapero, A. and Sokol, L. 1982. The social dimensions of entrepreneurship. In C. Kent, D. Sexton and K. Vesper, (Eds.), *Encyclopaedia of entrepreneurship*, 72-90.
- [21] Tkachev, A., and Kolvereid, L. 1999. Self-employment intentions among Russian students, *Entrepreneurship and Regional Development*. 11(3):269-280.