

## **Socio-Demographics effect in Factors that Shape Decision to Start Own Business**

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### **Abstract**

*The paper examines socio-demographic effect in factors that shape decision to start own business using purpose and convenience sampling methods in a quantitative, descriptive, cross-sectional survey of 136 respondents of marketing students of Sunyani Polytechnic. Using cross-tabulation analysis and chi-square test analysis, it was found that there is significant socio-demographics effect in factors that shape decision to start own business. Policy makers and educators should incorporate the findings into their entrepreneurship models in educating students. Causal studies should be the focus of future studies in a more comparative analysis of students offering entrepreneurship and those who are not offering entrepreneurship as a course.*

**Keywords:** Gender; family members; networks; peer influences; parental role models, media

**Jel Classifications:** L26; N3; L82; J11

### **Introduction**

The intention to create own business (Entrepreneurship) has attracted a lot of attention in the literature from academia, policy makers, economist, business people and entrepreneurship educators (Friedman & Aziz, 2012; Hani et al., 2012; Caliendo & Kritikos, 2011).

This increased attention results from the high unemployment rate in all economies including Ghana and the role entrepreneurship plays in economic development of a country such as promotion of social responsibility; increase in profit and generation of income (Friedman, 2011; Friedman et al., 2010; Acs et al., 2008).

The increased attention has lead to lot of research in various aspects of entrepreneurship. One of such aspects is the influencers (factors that shape entrepreneurship intentions) of entrepreneurship intention among students. Various factors are believed to influence or shape individuals decisions to start their own businesses both theoretically and empirically. Among the theoretical frameworks underpinning the influences of entrepreneurship intentions are the Social learning theory by Bandura (1977) and Ajzen (1991) theory of planned behaviour.

According to Social learning theory, individuals learn by imitating the behaviour of other individuals they consider as role models. People with entrepreneurs in their lives are likely to imitate their behaviour and also become entrepreneurs.

The theoretical implication is that role models play significant role in influencing people to learn and choose occupation such as entrepreneurship.

New behaviors are learnt through imitation of behavior being performed by other people. Azjen (1991) theory of planned behavior (TPB) identifies three main predictors of intention to act or perform a behavior which are intentions towards a behavior, subjective norms of the behavior and the degree of perceived behavior control of the individual.

According to Azjen (1991) an individual performs behavior by evaluating the behavior in a continuum manner from favorable to unfavorable outcomes of the behavior. Behavior is performed by an individual if the evaluation results in positive results. One will become an entrepreneur after appraising the work as an entrepreneur and the benefit to be derived from such occupation. Azjen (1991) in the subjective norm component of behaviour indicates that external factors such as family, friends, peers and society exert pressure on an individual to perform a behavior intended to before. A behavior is performed when the pressure from these entities are great.

The factors that shape intention to start own business has also attracted empirical attentions in the literature. The findings are found in the works of various researchers (Friedman & Aziz, 2012; Hani et al., 2012; Caliendo & Kritikos, 2011; Muofhe & Du Toit, 2011; Lafuente et al., 2007; Vaillant & Lafuente, 2007; Matlay, 2006; Mueller, 2006; Taylor & Thorpe, 2004; McElwee & Al-Riyami, 2003; Tkachev & Kolvereid, 1999; Reitan, 1997; Crant, 1996; Krueger, 1993; Hisrich & Brush, 1984).

The factors that shape entrepreneurship intention identified in the literature are individual networks, Personal, family members, peer influences, parental role models, entrepreneurship role model and the media (TV/magazines). For example Muofhe and Du Toit, (2011) reported that “entrepreneurship students perceive a stronger influence of entrepreneurial role models on their choice of a career than non-entrepreneurship students”.

Other researchers previously have also reported similar findings in their studies (Fayolle et al., 2006; Van Auken et al., 2006; Brennan et al., 2003). The findings in the literature have not been consistent. For example Tkachev and Kolvereid (1999) reported of no significant effect of family background, gender and self-employment experience on entrepreneurship intention.

Demographic variables (gender; age; educational level; income levels; culture) have been reported to influence the effect of the factors that shape entrepreneurship intentions (Klyver & Grant, 2010; Lafuente & Vaillant, 2008). For example, Klyver and Grant (2010) reported of Gender differences in entrepreneurial networking and participation. They stated that “individuals who personally know an entrepreneur are more likely to participate in entrepreneurial activity at any venture stage but that female entrepreneurs, compared with their male counterparts, are less likely to be acquainted with an entrepreneur”.

Lafuente and Vaillant (2008) reported that of lack of positive role models in influencing intentions to start own business. Lafuente and Vaillant (2008) indicated that older individual are affected by an ‘institutional memory’ inherited from their exposition to a framework based on central planning which dilute the positive effect of role models over entrepreneurship. Lafuente and Vaillant (2008) stated that younger respondents who have been mainly exposed to a market based economy, have a more positive societal valuation of entrepreneurial examples which increases the positive effect that the knowledge of an entrepreneur has on their attitudes towards entrepreneurship intentions.

Many graduates are after going through various models in entrepreneurship are not able to create their own business. This has called attention to the factors that could shape people decisions to become entrepreneurs.

Given the high graduate unemployment situation in Ghana the paper empirically investigates the role of demographic variables in influencing the preference for factors that shape entrepreneurship intention among students offering entrepreneurship course. In the very knowledge of the researchers, very few empirical works exist in the literature on the topic under discussion and no such work exist in literature on the study area. The paper fills in the literature gap. The findings in the literature have been inconsistent (Tkachev & Kolvereid, 1999). Further empirical research to contribute to the literature is worth doing. The paper extends the work of Yeboah et al. (2012) by examining the relationship between socio-demographic variables and the preference for factors that shape entrepreneurship intention.

The findings of the research provide further understanding of theories underpinning the paper by providing answers to research questions raised in the study. The findings also provide policy guide to policy makers in developing models to motivate graduates to become entrepreneurs. Reference material is provided for future researchers doing similar work. The findings will also generate research interest among researchers in entrepreneurship. The study contributes to the body of knowledge that exists in the area of entrepreneurship by examining the link between socio-demographic variables and preference for factors that shape entrepreneurship intentions among students. Specifically, the paper examines

- The correlation between socio-demographics factors and the preference for factors that influence entrepreneurship intention.

The main research question is:

- What is the link between socio-demographic variables and preference for factors that shape respondent's intention to startup their own business after graduation?

The paper is based on the assumption that there is statistical significant difference between socio-demographic variables and the preference for factors that influence intention to start up own business. The findings of the study are based on self-reported responses of respondents in the survey data. Some respondents might have given biased responses which might not be known to the researchers. Causal studies are also not discussed in the current paper. The sample is based on convenient sampling method. Hence, the findings might not be generalised to the larger population of students (lack external validity). The research is cross-sectional study and descriptive in nature. Data collection is limited to the marketing departments of the school of business alone.

### ***Methodology***

The current paper is quantitative, descriptive research, cross-sectional and a survey study. The sample consists of 136 respondents of marketing students of Sunyani Polytechnic, selected through convenient sampling method. Self-designed questionnaire was used to collect survey data during lecture hours. Data collected was analysed using cross-tabulations for percentages and Chi-square test for correlation analysis. Descriptive results on demographic profile of respondents are presented in a table form.

### ***Empirical Results***

Information is provided on the socio-demographic characteristics of the respondents. The results on the correlation analysis are also presented and discussed.

### ***Descriptive Statistics of respondents***

Table 1 reports the descriptive statistics for the respondents in the survey. It reports the frequency and the percentages of the independent variables.

Majorities of the respondents in the survey are males 94(69.1%) and the age distribution indicates that majority 112(82.4%) respondent's falls in the age group of 18-25. Most 39(28.7%) of the respondents are from Ashanti region.

**Table 1: Demographic features of respondents**

<b>Demographic Variables</b>	<b>Frequency</b>	<b>Percentage</b>
<b>Gender</b>		
Male	94	69.1
Female	42	30.9
Total	136	100.0
<b>Age</b>		
Less than 18	6	4.4
18-25	112	82.4
26-30	16	11.8
31-35	1	0.7
Missing response	1	0.7
Total	136	100.0
<b>Region</b>		
Western	7	5.1
Volta	6	4.4
Eastern	13	9.6
Brong Ahafo	36	26.5
Ashanti	39	28.7
Central	5	3.7
Greater Accra	2	1.5
Northern region	7	5.1
Upper west	9	6.6
Upper east	11	8.1
Missing response	1	0.7
Total	136	100.0
<b>Employment status</b>		
Students	129	94.9
Worker-student	6	4.4
Missing response	1	0.7
Total	136	100.0
<b>Father sector of work</b>		
Private	26	19.1
Public	43	31.6
Self-employed	60	44.1
Missing responses	7	5.1
Total	136	100.0
<b>Mother sector of work</b>		
Private	16	11.8
Public	24	17.6
Self-employed	94	69.1
Missing responses	2	1.5
Total	136	100.0
<b>Sector where respondents like to work</b>		
Private	41	30.1
Public	64	47.1
Self-employed	27	19.9
Missing responses	4	2.9
Total	136	100.0

### **Demographic variables and factors influencing Decision to Start Own Business**

Respondents were asked to identify factors that shape their intentions to start their own business. The variables identified in the survey are Families; Academics/Lecturers; Career advisors; Friends; Entrepreneurs as role models and Business people as role models.

### **Cross-tabulation Analysis and Correlation Analysis**

The independent variables reported in Table 1 are used in the analysis. The dependent variables are the responses on the preferences of factors shaping intentions. The results on the correlation analysis are based on 1%, 5% and 10% since the data are based on survey.

### **Correlation Analysis**

#### **Gender**

The link between demographic variables and factors (family, academic/lecturers, career advisors, friends, entrepreneurs and business people) influencing decisions to start own business was examined. There is significant association between gender and variables such as 'family' (chi-square=9.499; p=0.050); 'academic/lecturers' (chi-square=10.691; p=0.030); 'career advisors' (chi-square=8.715; p=0.069).

#### **Age**

There is significant relationship between age and only one of the variables that shape intentions. The variable is 'academic/lecturers' (chi-square=34.704; p=0.001).

#### **Region**

There is significant relationship between region and variables such as 'academic/lecturers' (chi-square=57.901; p=0.012); 'career advisors' (chi-square=58.137; p=0.011); 'friends' (chi-square=60.753; p=0.006); 'business media' (chi-square=69.720; p=0.001); 'business people' (chi-square=65.253; p=0.002).

#### **Religion**

There is statistical significant relationship between religion and variables such as 'business people' (chi-square=57.955; p=0.077).

#### **Respondents preferred sectors of employment**

There is statistical significant relationship between preferred sectors of employment and influential variables such as 'academics/lecturers' (chi-square=13.826; p=0.086).

#### **Cross-tabulation analysis**

More males (63.5%) than females (50%) are influenced by family members. Majority of males (75%) respondents than females (68.4%) are influenced by academics/lecturers. Most male respondents (68.2%) than females (55.2%) are influenced by career advisors. Respondents (78.7%) in the age group between 18-25years are more influenced by academics/lecturers than respondents in other age group. In relation to region significant majority of respondents from Ashanti region (86.8%) consider academics/lecturers as influential variables whereas respondents from very significant majority of respondents from Western region (100%) consider career advisors as influential variables.

Most respondents from Ashanti region (68.4%) consider friends as influential variables than respondents from other regions. Significant majority of respondents from Eastern region (91%) see business media as variables affecting motivation to start up business. Very significant majority of respondents from Central region (100%) consider business people to affect their intentions to set up business. Majority of respondents who belong to no religion (83.4%) are influenced by business people than respondents from other religious groups. Significant majority of respondents who preferred to work as self employed (92.3%) are influenced by academics/lecturers than those who preferred to work in the public sector (65.5%) and private sector (71.8%).

## **Discussions**

There is no significant link between socio-demographic variables and preference for factors such as family and entrepreneurs as influential in starting own business. These findings are not consistent with the previous findings (Friedman & Aziz, 2012; Hani et al., 2012; Caliendo & Kritikos, 2011; Matlay, 2006; Mueller, 2006) which reported of significant influence of family members and entrepreneurs as role models on intentions.

The findings are on support of that of Tkachev and Kolvereid (1999) who reported of no significant effect of family background and self-employment experience on entrepreneurship intention. The factors that significantly influence respondents intentions to start their own business are academics/lecturers; career advisors; friends; business media and business people. The findings are consistent with the findings of previous works (Friedman & Aziz, 2012; Hani et al., 2012; Caliendo & Kritikos, 2011; Matlay, 2006; Mueller, 2006) that reported of significant effect of these factors in influencing entrepreneurship intention.

The findings are not in support of that of Tkachev and Kolvereid (1999) who reported of no statistical significant effect of family background and self-employment experience on entrepreneurship intention. The results suggest that to motivate students to become entrepreneurs the role of academics/lecturers; career advisors; friends; business media and business people should be considered as important as the models that are taught. Socio-demographic variables such as employment status of respondents; Sector where father work and Sector where mother work have no significant effect on the preference for shaping factors in entrepreneurship intentions.

## **Conclusion and implications**

The paper examined differences in socio-demographic variables and preference for influential elements in shaping intention to start

own business and has shed more light on the effects of socio-demographic variables on the preference of shaping factors in entrepreneurship intentions among students. The results indicate significant effect of socio-demographic variables on preference of factors that shape peoples intention to start own business. It is clear from the results of the study that to motivate people to become entrepreneurs the influential roles of academics/lecturers; career advisors; friends; business media and business people should be taken serious. The role of the socio-demographic variables in the preference formation should also be taken into account.

The findings of the paper should be incorporated into the entrepreneurship models use in educating students, so that students will be introduced to the right motivators or influencers. Future researches should consider causal studies through longitudinal study designs and the use of structural models to examine the link between demographic variables and the factor that shape decision to start own business.

A comparative study using samples of entrepreneurship students and students not offering entrepreneurship education is worth doing in a larger sample study, selected based on probability sampling method.

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