

# “IMPACT OF PSYCHOLOGICAL BARRIERS ON ENTREPRENEURIAL INCLINATION OF BUSINESS GRADUATES”

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**ABSTRACT:** *Entrepreneurship as business start-ups has been observed very significant element impacting economic development. This study analysed the psychological hindrances which are assumed as barriers in tracking down entrepreneurial start-ups in Pakistan. This research was quantitative in type, using a self-administered questionnaire. Descriptive and statistical parameters were applied and presented to find the significance of the relationship between psychological barriers and entrepreneurial inclination among business graduates. This study spotlighted significant psychological barriers affecting entrepreneurial inclination among business graduates in developing country like Pakistan. The most relevant and critical factors were the risk aversion behaviour and fear of failure which are acting like resistors to economic growth by the entrepreneurial start-ups by most relevant individuals. The significance of this study was to assess and understand the psychological issues related to entrepreneurship to let this economic driver to pace up the economic growth by adding value in the economic system of Pakistan.*

**Keywords:** *Entrepreneurship, Psychological barriers, Entrepreneurial Inclination, Economic growth, Pakistan.*

## INTRODUCTION

Entrepreneurship could not get as much importance as it is getting today, when the economies are confronted with huge economic challenges which are to be worked so long and hard to face and resolve. Entrepreneurship is a significant tool that can contain an enormous force which works as a catalyst to pace up growth, revival, and societal advancement by gearing innovation, employment creation and communal empowerment [1]. People from academia, corporate leaders and government officials are widely having a consensus that entrepreneurship plays a vital role in upgrading the economy and ultimately the social and economic wellbeing of the society to cope up the challenges of international competition and globalization. From last many decades the unemployment rate is being augmented and Pakistan is facing high poverty rates. Many studies have proved direct relation between entrepreneurial activity and economic and social growth of the nations throughout the world. For a developing country like Pakistan, where job creation and making people self-employed has been the priority of the governments. The academicians' and the educational institution's role cannot be ignored as they provide a platform to the students to get most relevant education and training to be self-employed and be a part of the movement of job creation. For pacing up the growth of entrepreneurial activity, efforts must be appreciated made by public and private sectors in Pakistan.

As a point of fact, it has been observed widely that students of business education are not taking part in entrepreneurial activity, but they are becoming a part of the employee's workforce of the organizations. The organizations are unable to take up such huge output of business graduates and if inducting then on irrelevant jobs. There are numerous factors which can be barriers to entrepreneurial inclination related to business environment and external stability and demographic nature, but entrepreneurial education is training them to cope up with them. There are several factors which are of a psychological nature like aversion to risk, aversion to stress and hard work and fear of failure, which can have a significant relationship with entrepreneurial inclination of

business graduates of 5 business schools of Pakistan. Economic and social growth and reforms can be accelerated in the long run if entrepreneurial approach would be followed according to the country's culture [2]. To fill this gap, this study will identify the significance of relationship between the independent variables (aversion to risk, aversion to stress and hard work and fear of failure) and the dependant variable (entrepreneurial inclination).

## LITERATURE REVIEW

Brockhaus [3] defined entrepreneurship as someone's willingness to start a new venture with calculated and high risk exposure. Entrepreneurial venture start up interest had been widely accepted throughout the world. This overwhelming response for entrepreneurship was prompted by distinguished factors. For developing economies, entrepreneurial ventures (new business start-ups), served as a catalyst to foster the growth and revitalizing economic conditions. Moreover, it was considered as an incubator for the technological growth, market growth and product innovation [4]. A deep insight of the literature concluded that there were certain factors which became the obstacles for budding entrepreneurs in starting their own business set ups and negatively influenced the entrepreneurial inclination.

Previous studies show that different factors are the barriers to entrepreneurship, but such variables aversion to risk, aversion to stress & hard work and fear of failure have never been studied in particular perspective of business graduates inclination towards entrepreneurship. So the researcher would try to fill the gap by studying such factors in this environment.

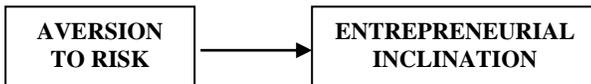
Studies related to other factors like education background and family background have been under consideration. Family background has been proved as a significant factor in entrepreneurial mind making of students, but business education cannot have a significant impact on entrepreneurial Inclination of students [5]. External environment also has a positive influence on entrepreneurial start-ups; if political and economic conditions are imbalanced then students would stay

away from entrepreneurial endeavours. The business environment has not been conducive for business starters in developing countries which may lead to decline the ratio of potential business start-ups. Demographic variables had no significant relationship with Entrepreneurial activities, but income had [6]

### **Aversion to Risk and Entrepreneurial Inclination**

This study has strong roots which started from Maslow's hierarchy of needs [7] which describes the 2nd basic requisite of someone was safety. People liked to play safe in making selections related to earnings and wanted to minimize the risk of loss. Herzberg [8] found security need was of hygienic type, if remain unsatisfied, the individual might lose motivation to behave appropriately. This attitude showed that people in general were risk averse, and were reluctant in taking part in risky endeavours. However, being a risk averse was a contradictory intrinsic quality of entrepreneurially inclined people. McClelland [9] studied and revealed, moderate risk takers proved themselves more booming entrepreneurs. Such clashing evidence from literature made aversion to risk a controversial factor that could be an obstacle or contribution to entrepreneurship. Society might portray itself as risk averse then the individual might also behave like that, 's but it would augment the start-up cost, with lower potential to be successful as entrepreneur. This might be a crucial barrier for business venture start up. Several risk-averse individuals, long considered naturally ill-suited to be entrepreneurs, might in fact be well-matched to this career finally [10]. Mill [11] described entrepreneur as risk taker; which differentiate himself from managers. Therefore, the researcher's hypothesis that:

**H1: There will be a significant negative relationship between Aversion to risk and Entrepreneurial Inclination.**

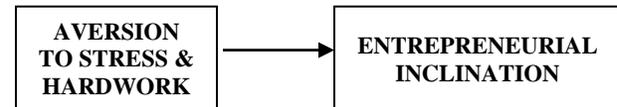


### **Aversion to Stress & Hard work and Entrepreneurial Inclination**

It is anticipated that starting a new venture needed a lot of hard work and stress in the form of long working hours, social obligations, meeting deadlines and coping up high demands to pace up start up routine. Hofstede [12] explained 'uncertainty avoidance' as one of the significant cultural dimensions which vary in five different countries. This is how people behaved differently and perceived uncertainty on the basis of cultural values they had. Entrepreneur ultimately faced uncertainty because it was naturally associated with business start-ups. Hence, anxiety and stress came with entrepreneurial endeavours as a complimentary part which was undesirable. Henderson and Robertson [13] found the students who were not willing to become businesspersons accepted that they were interested to spend a happy life hours

away from the stressful and hardworking entrepreneurial activity. The study revealed that entrepreneurial start-ups took lot of extra work and responsibility which they never wanted to take on their shoulder. This might impose frustration for a budding entrepreneur and might disturb family life and responsibilities and work/life balance. So, among other psychological factors aversion to stress and hard work has being considered relevant factor which might hinder entrepreneurial activity. Therefore, the researcher hypothesis that:

**H2: There will be a significant negative relationship between Aversion to stress & hard work and Entrepreneurial Inclination.**

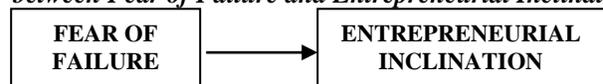


### **Fear of Failure and Entrepreneurial Inclination**

Entrepreneurship and failure walked side by side. Bosma [14] referred fear of failure in business start-up has been proved the top most cause, ambitious entrepreneurs provide for not taking part in entrepreneurial activity surveyed in Global Entrepreneurship Monitor. According to a survey a significant majority of individuals did not participate in business activity as they found biggest of obstacle was to fail (Business Venture Advice, 2007). The topic of entrepreneurial motivation has been under study from last five decades by researchers, but fear of failure in entrepreneurship perspective was hard to find [15, 16, 17]. Numerous studies revealed a negative impact of fear of failure on entrepreneurial start-ups [18, 19, 20, 21, 22]. Few researchers defined fear of failure in psychological perspective as negative emotion which was a disturbing entrepreneurial activity [23, 24]. Another research conducted by Henderson and Robertson [13], which concluded that fear of failure, was the biggest reason of negative inclination of students to be entrepreneurs.

Venture failure could have a negative impact on someone's image in the society. It is considered very important to further explore the influence of fear of failure on entrepreneurial start-ups by business graduates. Therefore, the researcher's hypothesis that:

**H3: There will be a significant negative relationship between Fear of Failure and Entrepreneurial Inclination.**



### **Theoretical Framework**

This layout had suggested that independent variables aversion to risk, aversion to stress & hard work and fear of failure, had a considerable impact on business graduates entrepreneurial inclination. Figure 1 shows the conceptual framework of the study under consideration.

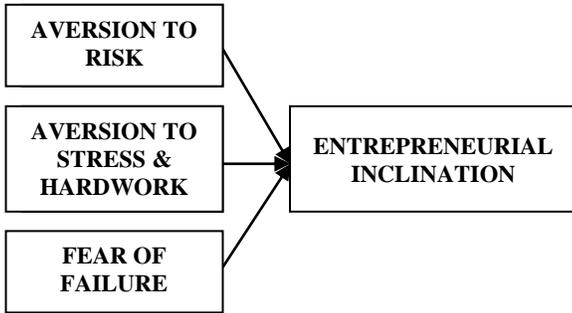


Figure 1: Theoretical Framework

**METHODOLOGY**

In order to test the suggested problem, kind of quantitative techniques has been applied (i.e. survey method) by using a self-administered questionnaire. The unit of analysis was the business graduates of the business administration department.

**Target population**

All the students of business administration department from five business schools named as University of the Punjab Gujranwala Campus, University of Central Punjab Lahore, Lahore University of Management Sciences, Gujranwala Institute of Future Technologies and Institute of Business & Management UET Lahore located in Gujranwala and Lahore Cities were considered the target population of this study.

**Sample Size and Sampling Scheme**

The convenient sampling technique was applied to choose a sample size for data collection. A sample of 250 students has been taken from the target population. Data was composed from the respondents by using self-administrated questionnaire. Questionnaire consisted of 3 sections related to purpose of study and direction, demographic information and questions related to relationship between independent variables and a dependent variable.

**Measurement of Variables**

In order to confirm the proposed relationship, kind of quantitative technique was applied (i.e. survey method) by using a self-administered questionnaire. The unit of analysis was the students of department of business administration of the University of the Punjab Gujranwala Campus, University of Central Punjab Lahore, Lahore University of Management Sciences, Gujranwala Institute of Future Technologies and Institute of Business & Management UET Lahore located in Gujranwala and Lahore Cities. Questionnaire contains 3 segments; First section of the survey instrument described the purpose and direction of research survey. Second part was related to respondent’s demographic information. Third section contained research questions to test and validate the hypothesis. Responses were attained on Five -point Likert scale where 1= strongly disagree and 5= strongly agree. AR is measured by 3 questions, ASHW by 2 questions, FF by 3 questions and entrepreneurial inclination by 2 questions adapted and modified from [25].

**FINDINGS & RESULTS**

Table 1.1

		Gender			
	Frequency	Percent	Valid Percent	Cumulative Percent	
Valid 1	50	32.5	32.5	32.5	
2	104	67.5	67.5	100.0	
Total	154	100.0	100.0		

We distributed 250 questionnaires to collect the responses from respondents out of which 154 valid questionnaires received. 50 filled by males and 104 filled by female respondents whose percentage is 32.5% and 67.5% respectively. Data was reliable because alpha value is 0.62.

**Descriptive Analysis**

Table 1.2

	N	Mean	Std. Deviation
ASHW	154	3.2136	.91336
AR	154	3.4113	.47569
FF	154	3.6472	.54598
EI	154	3.4643	0.34638
Valid N (listwise)	154		

Table 1.2 depicted the behaviour and reliability of collected data. Mean value for AR, ASRH, FF and EI is 3.21, 3.41, 3.64 and 3.46 respectively. The Measure of standard deviation was beneficial to probe the dispersion in variables in this study. Table 1.2 explaining that ASHW, AR and FF were deviating from central point with 0.91, 0.47, 0.54 and 0.34 respectively.

Table 1.3: Correlation

Independent Variables	Entrepreneurship Inclination
	Pearson Correlation
ASHW	.600**
	Sig. (2-tailed)
	.000
	N
	450
AR	Pearson Correlation
	.718**
	Sig. (2-tailed)
	.001
	N
	450
FF	Pearson Correlation
	.652**
	Sig. (2-tailed)
	.000
	N
	450

Table 1.3 indicated the correlations among independent and dependent variables. Table showed that ASHW, AR and FF were significantly correlated with entrepreneurship inclination with 0.60, 0.71 and 0.65 respectively and all were significant at 5%. The correlation 0.60 predicted that ASHW

and to entrepreneurship inclination explained variance in one another to the extent of (0.60)236%. Similarly the correlation 0.71 explained that AR and EI explain variance in one another with to the extent of (0.71)250%. Furthermore the correlation 0.65 also described that FF and EI explained variance in one another to the extent of (0.65)242%.

**Regression Analysis**

**Table 1.4**

Model Summary					
Model	R	R <sup>2</sup>	Adjusted R <sup>2</sup>	Std. Error of the Estimate	Durbin Watson
1	.761 <sup>a</sup>	.580	.573	.29845	1.760

a. Predictors: (Constant), ASHW, AR and FF  
 b. Dependent Variable: EI

Table 1.4 enlightened that summary of results where R = 0.761 which showed 76% variance in ASHW, AR, FF and EI. R square explained the variation in EI (dependent variable) due to ASHW, AR, fear of failure (Independent variables). R square value was 0.58 which means that ASHW, AR and FF have 58% influences on EI. Durban Watson value examined the nature of correlation whether it is positive, negative or zero. Durbin Watson value is 1.760 which is less than 2 which demonstrated that there was a positive correlation among studied variables.

**Table 1.5**

ANOVA <sup>b</sup>						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	73.916	3	24.639	19.409	.000 <sup>a</sup>
	Residual	375.751	296	1.269		
	Total	449.667	299			

a. Predictors: (Constant), FF, ASHW, AR  
 b. Dependent Variable: EI

Table 1.5 highlighted the significance level whether it was acceptable or not. Results depicted that significance value is 0.000 which was less than 0.05. Thus it was acceptable and showed strong impact of ASHW, AR and FF on EI.

**Table 1.6**

Coefficients					
Model	B	Unstandardized Coefficients	Standardized Coefficients	T	Sig.
		Std. Error			
		Beta	Beta		
1 (Constant)	-.616	.610		-1.009	.314
ASHW	-.394	.113	.186	-3.488	.001
AR	-.457	.135	.066	-1.167	.002
FF	-.603	.104	.327	-5.823	.000

a. Dependent Variable: EI

Table 1.6 showed the Beta indicated the individual independent variable's influence on dependent variable. Results indicated that ASHW has a negative influence on EI with beta value -0.39. It indicated that 39% variation in EI

was due to ASHW which was significant at 0.001 and supported H1. Similarly aversion to risk also has negative influence on EI with beta value -0.457. It indicated that 45.7% variation in EI caused due to aversion of risk which was significant at 0.002 and supported H2. Furthermore fear of failure also has strong negative influence on entrepreneurship inclination with beta value -0.603. It indicated that 60.3% variation in entrepreneurship inclination caused due to fear of failure which was significant at 0.002 and supported H3.

**CONCLUSION**

This study spot-lights the importance of one of the most significant drivers of the economic growth of any developing nation: Entrepreneurship. As very little contribution has been found in business start-ups from the young graduates and even the business graduates have also not been found very active in such participation even having the most relevant education and training. Business students were expected to have better understanding of the business moves, managing and reducing the impact of internal and external shocks of economic environment. The findings can be used to develop and enrich the educational policies to stimulate the pace of entrepreneurial start-ups by young graduates to take part in economic growth of the country.

- 1) As aversion to risk has significant negative impact on entrepreneurial inclination, policy makers and educationists needs to develop system and high risk tolerance culture, where trainings for potential entrepreneurs must be ample throughout business education, to be moderate risk takers while making decisions. This can be accomplished by launching decision making principles under uncertainty and risk at all levels of business studies, where young entrepreneurs can learn and assess the risk taking rewards. Uncertainty avoidance and risk seeking was a cultural value [12] which can be changed by successive generations if they start learning how to cope with risk and willing to accept the change. The need of the hour is to work on the risk tolerance and risk taking attitude of the young entrepreneurs by making adjustments and necessary changes in curricula and teaching methodologies.
- 2) Since the fear of failure has been found a factor which has shown negative impact on entrepreneurial inclination. As business graduates have always been focused on risk measurements and planned feasibilities to business start-ups but still they are afraid of current economic and political instabilities even knowing that such circumstances create opportunities for those who strive to en cash the crises. Policy makers and educationists must focus on psychological learning of the students to make them mentally strong to cope with business start-up challenges and ingrain stamina to survive in business cycle variations.
- 3) From long working hours to stress on supervising all the activities by the potential entrant in business world also showing less inclination towards entrepreneurship. Support must be provided from society about

maintaining work life balance and being responsible to start-ups must be encouraged in every way to let somebody to be an active part of the self-employment world where everyone just wants to be a part of the employee's workforce of organizations.

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